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THE RELATIONSHIP OF DIVERSITY AND PERFORMANCE IN THE 100 BEST COMPANIES TO WORK FOR IN THE UNITED STATES

A Dissertation

Presented to

The College of Graduate and Professional Studies

College of Technology

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Doctor of Philosophy

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by

Arezou Harraf

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Resource-Based Firm View, Casual Change

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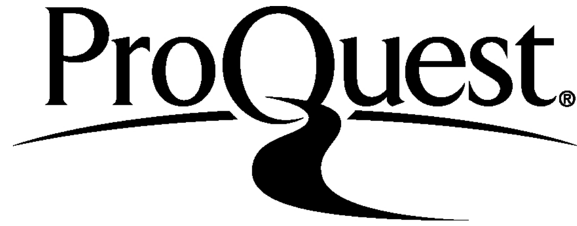

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ABSTRACT

The purpose of this study was to analyze whether there is a relationship between organizations' workforce diversity and firm-level performance in the case of companies on Fortune Magazine's 100 Best Companies to Work for list. The companies on the 100 Best Companies to Work list are determined based on research conducted by the Great Place to Work Institute. Many companies apply to be considered for the 100 Best Companies to Work list, however, only 100 companies are selected annually for the list. The Great Place to Work Institute determines company eligibility for placement on the 100 Best Companies to Work list based on the results from anonymous employee surveys from the participating companies as well as company-wide cultural audit for each applicant firm. This study therefore, examined the companies on the 100 Best Companies to Work list, due to these companies being identified as high-culture companies by their employees. In addition, this study included a visual comparative analysis between the average workforce diversity composition at the 100 Best Companies to Work list and the average workforce diversity composition at the federal government agencies as reported by the Federal Equal Opportunity Recruitment Program.

This study included an ex-post facto analysis of data provided by companies which apply to the Great Place to Work Institute with the aim of being considered for the 100 Best Companies to Work list. In satisfying the research questions, simple regression analysis, multiple regression analysis, as well as a mean test were performed. The results indicated that the workforce composition of the companies on the 100 Best Companies to Work list, is not

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compatible with the federal workforce composition breakdown of the United States in terms of the percentages of female and minority employees, in that the 100 Best Companies to Work are on average comprise higher percentage of female employees than the Federal Agencies, while their percentage of minority employees on average is lower than the minority workforce breakdown of the Federal Agencies. Furthermore, the study found divergent results between the relationship of female employees and firm-level performance, compared to that of minority employees and firm-level performance.

This study has several theoretical and practical implications. The research sheds light on the complexity of linking workforce diversity to firm-level performance, in that it establishes divergent results between the relationship of racial and gender workforce composition and organizations' performance, encouraging organizations to determine the reasons for the difference in relations of minority employees and performance in comparison to that of the female employees and performance. The research further illuminates the importance of organizations' defining their cultural inclusive components in relation to their long-term strategies and performance and determining whether such policies are accomplishing what they intended to accomplish.

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First and foremost, I would like to thank God for giving me the opportunity and ability to pursue a doctorate degree and for giving me perseverance to achieve my goals in every stage of life.

I would like to dedicate this dissertation to the loving memory of my dear Grandmother. Her unconditional love has always been my source of inspiration. Mamanjoon, I miss you every day.

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I would like to thank and acknowledge the help and support of my brother, Dr. Omid Harraf, who inspired and encouraged me to start and finish my doctoral studies, and who always provided a helping hand in the process. I love you Omid.

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TABLE OF CONTENTS

ABSTRACT iii

ACKNOWLEDGMENTS v

LIST OF TABLES xi

LIST OF FIGURES xii

CHAPTER 1:INTRODUCTION 1

Role of Inclusion in Diversity Management .... **Error! Bookmark not defined.**

Efficacy of Diversity Management in Creating Inclusion 8

Organizational Inclusive Behavior 9

Theoretical Framework 12

The Applicability of the Model to the Study 16

Statement of the Problem 18

Statement of the Purpose 19

Research Questions 20

Statement of the Need 22

Statement of Assumptions 23

Statement of the Limitations 24

Operational Terms 24

CHAPTER 2: REVIEW OF LITERATURE 27

المنارة للاستشارات

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Diversity 28

Diversity in America 30

Federal Equal Opportunity Recruitment Programs' Diversity Report to the Congress 30

Historical Case for Diversity 32

The Empirical Literature on the relationship between Organizational Diversity and Performance 37

The Empirical Literature on Board Diversity and Performance 43

Causal Performance and Change Model 44

Role of Leadership in Creating Inclusive Organizations 46

Organizational Culture 51

Culture Strength within Organizations 52

The High Performance Culture 52

The Power of Inclusive Culture 54

General Human Resource Dimensions and Organizational Outcomes 56

Work-Life Balance Programs 58

Effects of Work-Life Problems on Job Performance 60

Work-life, Employee Benefits, and Further Development Programs and Company Performance 62

Childcare 63

Flexible Work Arrangements 64

Work Life Policies and Firm Performance 66

Employee Benefits 67

www.manaraa.com

Savings and Retirement Benefits 69

Employee Training and Development 70

Training and Development and Firm Performance 71

Organization Performance 73

Revenue as Measure of Performance 74

CHAPTER 3: METHODOLOGY 77

Design of the Study 78

Population and Sample 79

Data Collection 79

Data Analysis 82

CHAPTER 4: RESULTS 87

Workforce Diversity Make Up 89

The Relationship between Organizations' Diversity and Annual Revenue 90

The Relationship between Organizations' Diversity and Revenue per Employee 94

The Relationship between Organizations' Cultural Components and Revenue 97

The Relationship between Organizations' Cultural Components and Revenue per Employee 99

The Relationship between Organizations' Cultural Components and Voluntary Turnover 101

Summary 104

CHAPTER 5: CONCLUSIONS AND DISCUSSION 105

Responding to Research Questions 106

Theoretical Implications 112

المنارة للاستشارات

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Practical Implications 113

Limitations of Research 114

Recommendation for Further Research 115

REFERENCES 116

المنارة للاستشارات

www.manaraa.com

LIST OF TABLES

Table 1. Summary of Major Variables to be Used in the Study 22

Table 2. Representation of Federal Workforce 31

Table 3. List of Variables..80

Table 4. Results of Single and Multiple Regression Analyses for Research Question 2 92

Table 5. Results of Single and Multiple Regression Analyses for Research Question 3 95

Table 6. Results of Single and Multiple Regression Analyses for Research Question 4 97

Table 7. Results of Single and Multiple Regression Analyses for Research Question 5 100

Table 8. Results of Single and Multiple Regression Analyses for Research Question 6 102

للاستشارات المنارة

www.manaraa.com

LIST OF FIGURES

Figure 1. Management of cultural diversity 6

Figure 2. Causal Organizational Performance and Change model. 13

Figure 3. Transformational factors of the Causal Organizational Performance and Change model 16

Figure 4. Hewlett Packard CEO's vision for making the case for diversity 36

Figure 5. The effects of diversity on group processes and outcomes. 40

Figure 6. A developmental approach to training for intercultural sensitivity. 47

Figure 7. Leader-member and diversity climate on job satisfaction and perception of inclusion 49

Figure 8. Engagement theory and resource management model. 50

Figure 9. Comparative annual stock market return 53

Figure 10. Combining culture and performance 54

Figure 11. Theoretical model of HR dimensions on organizational outcomes 57

Figure 12. Logic of Work-Life Fit 59

Figure 13. The LAMP Model 61

Figure 14. The model for the analysis of the relationship between Work-Life practices, Employee Turnover, and Firm Performance 68

Figure 15. The Economic Implications of Training and Development Programs. 72

Figure 16. Current study's flow chart. 74

المنارة للاستشارات

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CHAPTER 1

INTRODUCTION

In recent years, many organizations have incorporated several forms of diversity management in their work-force development programs (Carrell, Mann, & Tracey, 2006). The interest in diversity management has increased in recent decades, largely in response to an increase in globalization of businesses as well as the changes in consumer demographics and the workforce (Hassan, 2009). The concept of Equal Opportunity has been adopted by many organizations, mostly in the form of legal compliance since the 1960s (Kumra & Manfredi, 2012). However, the term diversity in an organizational context has arguably evolved in the mid-1980s (Kumra & Manfredi, 2012), mostly in response to a report entitled Workforce 2000, by the Hudson Institute (Johnston & Packer, 1987). This report indicated that the U.S labor force was set to become increasingly heterogeneous by the year 2000. In this report, Johnston and Packer (1987) contended that white males would no longer comprise the majority of the workforce in the United States due to population and demographic shifts. The report further elaborated that the occurrence of this phenomenon was largely due to augmentation of women, African-Americans, Hispanics, and other immigrant groups into the workforce. For this reason, the Hudson Institute report (1987) argued that organizations should utilize their increasingly diverse workforce as a form of competitive advantage and recommended that organizations develop mechanisms to

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integrate their diverse workforce in achieving organizational goals. This report further encouraged many organizations to review their understanding of diversity and its potential impact on their respective organizations. Pearn Kandola (2000), in a similar study conducted by the London Institute, predicated that, by the year 2010, workforce growth in the United Kingdom would comprise 80 percent women, with able-bodied white males accounting for only 20 percent of workforce growth in the same period.

The above studies shed light on a workforce composition which would be greatly different from what organizations in both the United States and the United Kingdom had experienced so far. The diverse workforce composition presented organizations with a managerial challenge in attracting, recruiting, training, and developing such a diverse workforce (Kumra & Manfredi, 2012). However, aside from the proposed challenges, such reports also encouraged organizations to develop their own diversity management initiatives to meet the challenges of an increasingly diverse workforce and benefit from the diversity within their organizations (Hanappi-Egger, 2012). Thus, for the first time organizations shifted their focus to viewing diversity as an organizational asset, which, if leveraged effectively, would allow organizations to obtain and retain a competitive advantage instead of merely incorporating diversity measures within the organization for legal compliance issues (Boxenbaum, 2006; Kelly & Dobbin, 1998; Kumra &Manfredi, 2012; Robinson and Dechant, 1997).

Prior to the diversity management movement, many organizations had incorporated Equal Opportunity and Affirmative Action measures to ensure legislative compliance (Lorbeiki & Jack, 2000; Thomas, 1990). Fischer (2007) argued that the equal opportunity approach is based on the liberal/legal rational model, which emphasizes sameness, while the diversity

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management approach focuses on leveraging the multitude of differences of individuals at the organizational level and, therefore, focuses on recognizing and valuing people's differences. Thus, the diversity management approach has been identified from its inception as a strategic response to the changes in the labor market and differentiated from the Equal Opportunity approach since it focuses on individuals rather than groups (Tomilson & Schwabenland, 2010).

Kandola and Fullerton (1998) defined diversity management as creating an environment in which differences among people, such as gender, sexual orientation, religion, age, disability, and ethnicity, are embraced; as a result, everyone feels valuable to the organization, and the organization fully utilizes its diverse talent pool in achieving organizational objectives. Stockdale and Crosby (2004) defined the management of diversity as systematic and planned programs within organizations that are designed to increase interactions among employees with different diversity attributes, such as gender, ethnicity, or culture, in order to boost organizational creativity and effectiveness. Tomilson and Schwabenland (2010) contended that the diversity management approach has presented a credible argument to organizations in regards to utilizing the differences of their employees and paying more attention to the needs of the minorities to achieve favorable results. Ahmed (2007) argued that diversity management was to succeed in achieving greater organizational inclusion among minority groups where Equal Opportunity was perceived to have failed. As such, diversity management is considered a functionalist approach, which assumes diversity within organizations can be utilized for economic benefits (Hanappi-Egger, 2012).

Barney (1995) suggested that, according to the resource-based firm view, organizations that work towards effectively managing their diversity are set to see high organizational rewards

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(Barney, 1991). Barney (1995) further argued that resource-based firms connect organizations' human resources to their ability to attain and sustain a competitive advantage. However, to achieve such a competitive advantage, firms must take into consideration four key factors: value, rarity, inimitability, and organization, in managing their diversity. He went on to define value creation in terms of the ability of a firm's human resource function to identify how the organization is differentiating itself from its competitors, where in the organization's value chain lies the greatest opportunity for achieving differentiation, and which employees possess the required skills to assist the firm in differentiating itself from its competitors. Barney (1995) defined rarity as a process in which human resource managers of organizations identify methods to develop and utilize rare characteristics of the firm's human resources for attaining competitive advantage. He described inimitability as a process in which organizations thoroughly analyze their unique history and culture to identify and better cultivate and develop the rare characteristics of the firms' human resources that cannot easily be imitated by the organizations' competitors. Barney (1995) further explained the term organization in this context as a process in which the firm evaluates whether its efforts to capitalize on adding value, rarity, and inimitability are sustainable, thus ensuring that the organization's human resource policies, such as its performance management and diversity training, are congruent with the organization's objectives.

The resource-based view of the firm (RBV) is currently considered one of the most accepted theories in the field of strategic management (Powell, 2001; Priem & Butler, 2001; Rouse & Daellenbach, 2002). However, as Godfrey and Hill (1995) argue any given theory must survive various empirical falsification attempts before it can be considered valid. To this end,

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Barney and Arikan (2001) conducted a meta-analysis of 166 empirical articles that tested the resource-based firm view in one form or another. The authors concluded that of the 166 studies analyzed, only four (2%) two percent produced results which were partially inconsistent with RBV logic and the remaining (98%) demonstrated results consistent with the RBV logic. Furthermore, Newbert (2007) conducted a similar study that categorized and analyzed empirical studies focused on RBVs. In his study, Newbert (2007) divided the RBV studies into four categories: resource heterogeneity, organizing, conceptual level, and dynamic capabilities. His analysis generated the following results: The resource heterogeneity approach yielded a 51% support rate for RBV, the organizing approach yielded a 58% support rate, the conceptual level approach yielded a 77% support rate, and the dynamic approach had a 53% support rate for RBV. Newbert (2007) argued that, his results while the results exhibited only 53% empirical support for RBV, this rate is congruent with similar empirical analyses of other theories within the field of strategic management, such as David and Han's (2004) study of transaction cost economics (TCE) which found 47% support for TCE. Newbert (2007) further claimed that the result variations between his analysis and that of Barney and Arikan's (2001) study results may be due to the study design differences, whereby Barney and Arikan focused on articles that had reported results consistent with the RBV approach, as opposed to his own study which endeavored to quantify the actual level of support for RBV. Therefore, Newbert contended that, given that most empirical studies failed to garner support for all their hypotheses, it is within reason to assume that some portions of the test will yield insignificant results. He concluded that "the level of support for the RBV reported herein should not be unexpected" (p.136).

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With competitive advantage in mind, many organizations have strived to manage their diversity and move towards establishing inclusiveness within their firms, so that the talents of all employees would be fully utilized for achieving organizational objectives (Hanappi-Egger, 2012). Cox and Blake (1991) argued that in order to achieve cultural diversity, organizations would have to undertake dynamic and radical changes. They suggested that to effectively manage diversity the change management process must begin with a thorough understanding of the organization's culture. This understanding should include a complete internal analysis of how culture is perceived within the organization and ascertain that organizational human resource systems are bias-free and supportive of valuing differences within the firm (Cox & Blake). Cox and Blake further underscored six possible sources of competitive advantage that results from effective management of diversity. These areas include cost, recovery acquisition, marketing, creativity, problem solving, and system-flexibility. Figure 1 is the visual diagram for effective management of diversity within organizations.

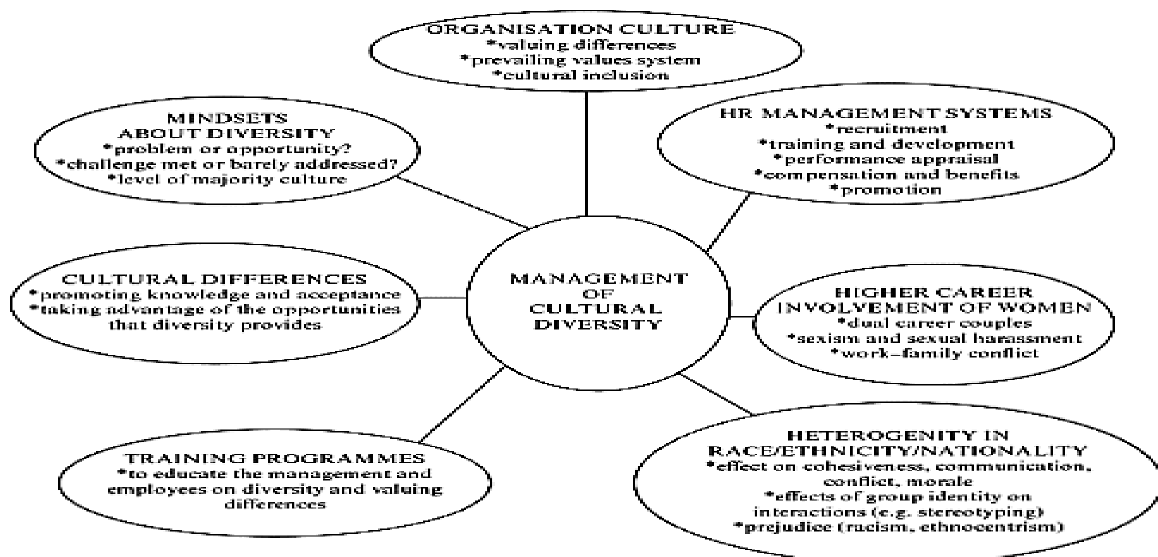

Figure 1. Management of cultural diversity, by Cox and Blake, 1991.

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Role of Inclusion in Diversity Management

Globalization and economic interdependence have placed an increased competitive pressure on organizations and subsequently have created a need for them to develop tools to manage their work-force diversity effectively (Chang, 2009). Anderson and Cavanagh (2000) argued that globalization has compelled American corporations to embrace multicultural perspectives in their relations with employees, suppliers, and customers, in order to compete successfully in the international arena. Presently, more than at any other time, American corporations are involved in a global integrated knowledge economy, with many cities in developing countries, such as Manila, Shanghai, Budapest, and San Jose in Costa Rica, serving as their back offices (Engardio, Bernstein, & Kripalani, 2003). By creating a plan for employee development and inclusion, organizations can develop a community of learners in which workplace leaders can share expertise, create innovative solutions, and discuss best practices for global workforce development and advancement (Obina, 2012). Cox and Blake (1991) have suggested that companies which learn to manage their diversity acquire a competitive advantage over companies that do not. Furthermore, Lockwood (2005) chronicled the advantages of diversity management in different areas, citing, among others, organizations' greater adaptability and flexibility, attracting and retaining the best talent, reducing turnover associated costs, low employee productivity and absenteeism, return on investment from various initiatives, policies and practices, gaining and retaining an increased market share, both locally and globally through an expanded customer base, and, finally, increased sales and profits.

However, establishing an inclusive organization through diversity management is not an easy task (Hanappi-Egger, 2012). Organizations, much like societies, are complex social systems

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inhabited by human beings. Thus, diversity management in such complex systems will encounter a number of challenges, such as management of organizations, organizational power structures, competitive situations, and prejudices (Hanappi-Egger, 2012). In addition, organizations must not disregard the historic and systematic discrimination experienced by certain groups, so as not to hinder the process of organizational effectiveness and inclusivity (Hanappi-Egger, 2012). Furthermore, as Kumra and Manfredi (2012) explain, the field of diversity management in its present form is a collection of ideas about managing diversity, and it lacks a uniform approach to achieving diversity within organizations.

Efficacy of Diversity Management in Creating Inclusion

Currently, organizations are hiring more women and minorities in an effort to become more representative of the nation's demographic changes as well as to comply with affirmative action regulations (Mor Barak, 1999, 2011; Sabharwal, 2014). While title VII of the Civil Rights Act of 1964, affirmative action and equal employment legislation, has been successful in making the workforce more diverse, this diversity has not always led to organizational inclusion, so that the full potential of organization's diverse workforce is utilized (Mor Barak, 1999, 2011). To this end and with RBV in mind, many organizations are putting in place various diversity management initiatives which focus on valuing people's differences, including race, gender, ethnicity, age, religion, disability, and sexual orientation, as well as incorporating programs, such as mentoring, coaching, family friendly policies, and alternative work arrangements, all in an effort to better utilize the diversity of their workforce (Bozeman & Freeney, 2009; Kellough & Naff, 2004; Newbert, 2007; Pitts, 2006, 2009; Riccucci, 2002; Rice, 2004). With this globalized business trend in mind, in addition to the shift that has occurred in organizations from physical

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capital to intellectual capital, many diversity managers want more concrete answers about the efficacy of the diversity management programs and how such programs add to organizational assets and improve employee performance (Hubbard, 2004). Pless and Maak (2004) argued that diversity management initiatives involve both functional and structural changes that are put in place by organizations in a drive to recruit women and minorities; however, creating a diverse organization as such is not enough because organizational diversity is only effective when the diverse workforce is fully integrated and able to work towards organizational goals.

Organizational Inclusive Behavior

While no single theory explains organizational inclusive behavior (Sabharwal, 2014), social identity theory (Tajfel, 1978, 2010), optimal distinctiveness theory (Brewer, 1991) and social comparison theory (Festinger, 1954; Mullen & Goethals, 1987) have been used to develop the concept.

Using social identity theory, Tajfel (1978, 2010) proposed that belonging to a group is a source of self-esteem for individuals; therefore, belonging to a group offers individuals their social identity as well as providing them with a sense of fit and belonging to the group. Such group interactions in turn create distinct in-groups and out-groups; in consequence, the in-groups tend to discriminate against the out-groups for increased self-image. Mor-Barak (2011) argued that, based on the social identity theory, employees' performance correlates to the in-group and out-group systems, and their decision-making processes are also conducted according to the in-group, out-group dynamics.

The social comparison theory (Festinger, 1954; Mullen & Goethals, 1987) contended that individuals with similarities have a tendency to compare their abilities and opinions with their

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peers in order to maintain a positive self-image. Their engagement in such continued comparison in turn creates the perception of inclusion or exclusion based on the group's social interactions.

Basing his idea on the optimal distinctive theory, Brewer (1991) argued that there is a need to balance one's similarities to others with maintaining one's individual identity. The need for individuals to belong to groups and yet retain their unique identities and qualities has served as the basis of the inclusion literature (Shore, Randel, Chung, Dean, Ehrhart & Sing, 2011).

The field of Organizational Inclusive Behavior (OIB) is based on the above-mentioned theories. However, OIB has been defined and explained in different ways. Mor-Barak and Cherin (1998) define OIB as "the degree to which individuals feel part of critical organizational processes" (p. 48). Gasorek (2000) explained organizational inclusion in terms of the degree in which employees are valued and their ideas utilized as well as the degree of inter-departmental collaboration, and employees' sense of belonging to the organization in addition to factors such as the degree of connectivity among people in the organization, to organization's goals, and to which the organization fosters continued flexibility, choice, and diversity.

The concept of inclusion comprises various components that ensure that all employees have a sense they are valued members in an organization and their diversity is also valued in a positive way within the organization, so they all have a chance to be engaged in groups and influence the decision-making processes (Ferdman, Avigdor, Braun, Konkin, & Kuzmycz, 2010; Sabharwal, 2014). Such an inclusive environment allows employees to feel safe and receptive to openly sharing their ideas and view-points (Sabharwal, 2014). In line with previous research in the field of organizational inclusion (Bendick, Egan, & Lanier, 2010; Davidson & Ferdman, 2002; Ferdman et al., 2010; Gasorek, 2000; Holvino, Ferdman, & Merrill- Sands, 2004; Miller,

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1998; Mor-Barak & Cherin, 1998; Pelled, Ledford, & Mohrman, 1999; Shore et al., 2011), Sabharwal (2014) explained OIB as a concept that entails areas such as top leadership support, employees' ability to influence the process of decision-making in the organization, and management's fair and equitable treatment of employees. Stewart and Johnson (2009) suggested that inclusive organizations have higher outputs. The authors further posited that inclusive organizations' interest in recruiting diverse employees does not act solely as a cover for legal compliance, but is a product of their belief that diverse individuals bring with them unique skillsets that can ultimately contribute towards furthering organizations' goals. Such organizations treat employees and their differences as assets as opposed to liabilities (Stewart & Johnson, 2009). Miller (1998) explained that inclusion occurs when "different voices are sought and utilized as opportunities for added value. Different perspectives and frames of reference offer competitive advantages in teamwork, service delivery, product quality and work output" (p.160).

However, Holvino (2004) and Sabharwal (2014) caution that appreciating the importance of organizational diversity and creating family-friendly workplace policies do not automatically transition organizations into inclusive organizations in which all members are empowered and included (Holvino et al., 2004; Sabharwal, 2014). This phenomenon heightens the importance of top management's role in creating and fostering a culture of inclusivity in the workplace by foregoing the traditional reliance on structural changes and policies and focusing instead on initiatives that utilize everyone's talents, regardless of their differences, in achieving organizational goals (Cox & Blake, 1991; Newbert, 2007; Sabharwal, 2014).

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Organizational inclusion has been analyzed in various studies (Broadnax, 2010; Miller, 1998; Rangarajan & Black, 2007; Riccucci, 2002; Wise, 2002); however, none of these studies have directly measured the impact of inclusive policies on organizational performance. Top management positions in organizations must be on board with any diversity management initiatives to overcome discrimination, eliminate exclusions, empower all employees, and increase participation within the firm (Hanappi-Egger, 2012). Therefore, achieving an inclusive organization, in which diverse individuals' talents are utilized with the aim of improving organizational performance, requires diligent support from the organization's leadership in creating and fostering effective diversity management initiatives and an inclusive organizational culture (Burke, 2010; Burke & Litwin, 1992; Hanappi-Egger, 2012; Sabharwal, 2014). Such important and dynamic organizational change endeavors necessitate a systematic and structured change management approach that allows a company to undertake the necessary changes to its systems and structures as well as to establish a desired culture conducive to the organization achieving its long-term goals (Burke, 2010; Burke & Litwin, 1992). Thus, this paper is guided by the Causal Performance and Change model to study the relationship of diversity on organizational culture and performance. This model is chosen for this study because it considers multiple elements in considering factors that play a role in bringing about successful organizational change and therefore, is congruent with the goal of analyzing the impact of diversity on organizational culture which may lead to improved organizational performance.

Theoretical Framework

The Causal Performance and Change model is founded upon the original change model developed by Litwin and associates (Litwin & Stringer, 1968; Tagiuri & Litwin, 1968) and has

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been updated and modified by subsequent studies, directed by Burke and his colleagues (Bernstein & Burke, 1989; Michela et al., 1988). The current form of the model is the result of the latest collaboration by Litwin and Burke (1992). Burke and Litwin's (1992) Causal Organizational Performance and Change model is shown in Figure 2. As the figure illustrates, the model's current form concentrates on the influence of the various variables placed within twelve boxes on other boxes or variables within the model. This model, furthermore, distinguishes between transformational and transactional dynamics in the process of organizational change.

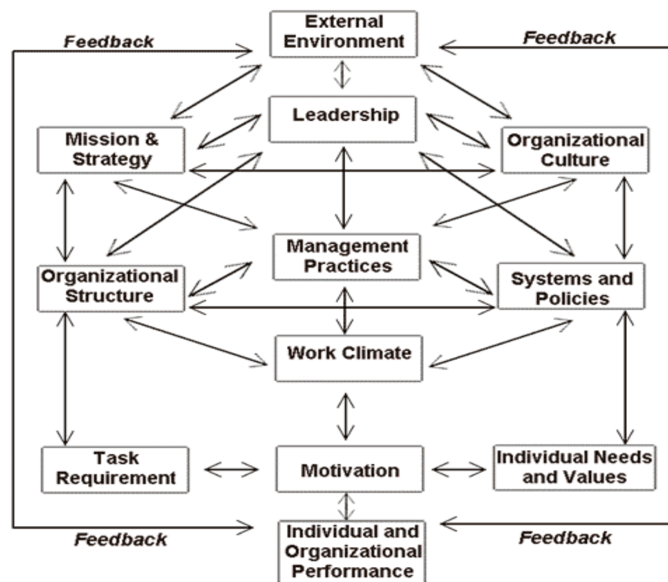

Figure 2. Causal Organizational Performance and Change model, by Burke and Litwin, 1992.

In their Causal Organizational Performance and Change model, Burke and Litwin (1992) agreed with Katz and Kahn's (1978) general systems theory in explaining the logic of their model's direction and diagram. The authors considered that the external environment represents the input, and the individual and organizational performance boxes in the model represent the output. However, the important distinguishing factor of their model is that the arrows in the

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model are bidirectional, and the arrows of influence go both ways. A change in one or more boxes will ultimately impact the other boxes or variables. Therefore, organizational performance affects the external environment through its products and services, and the external environment affects performance through regulations and trends. Burke and Litwin (1992) further contended that the remaining boxes of the model represent the material from the general systems theory.

Burke and Litwin (1992) also asserted that in large scale organizational change efforts, mission, strategy, leadership, and culture weigh more significantly than structure, management practices, and systems, meaning that a successful change effort cannot occur solely through communication of the new strategy by organizations' leaders; instead, a successful change effort can only take place if organizational culture change is aligned with the organizational strategy as well as leader behavior. The authors contended that the above-mentioned variables of mission, strategy, culture, and leadership have more influence on large scale organizational change efforts because a change in any of them affects the whole system. Structural changes, on the other hand, may or may not affect the system in its totality, and are thus given less weight in the process of organizational change.

Burke and Litwin (1992) further argued that in the study of organizations there has been a great interest in the concept of organizational culture. The concept of culture as derived from the field of anthropology is described as a phenomenon that points to the enduring set of values and norms within a social system. Culture is what enables members of a given social system to assign meaning and values to their internal and external experiences (Burke & Litwin, 1992). They further attempted to draw a distinction between organizational climate and organizational culture. Burke and Litwin defined climate as individuals' perception of how their particular unit

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is managed and their unit's effectiveness in facilitating the daily transactions among colleagues. Therefore, organizational climate is primarily concerned with the unit, whereas culture is focused on the value-systems within the whole organization. Hence, this study focuses on the cultural aspect of an organization, as it aims to analyze the performance of the entire organization, not that of individual units within.

Burke and Litwin (1992) divided their Performance and Change model into two categories of transformational and transactional changes. They defined transformational changes as those instigated by the environment inside and outside the organization, which will require all organization members to develop a new set of behaviors. Transactional changes, on the other hand, are short-term endeavors within the company between individuals and groups. This study utilizes the transformational section of the model due to the study design and applicability. Furthermore, the connection of this study to Burke and Litwin's transformational section of the Causal Performance and Change Model is not operational but descriptive, and has been adopted to help conceptualize the role of various organizational dynamics and their relationship to organizations' performance. Figure 3 is demonstrative of the transformational variables, which will be used in this study.

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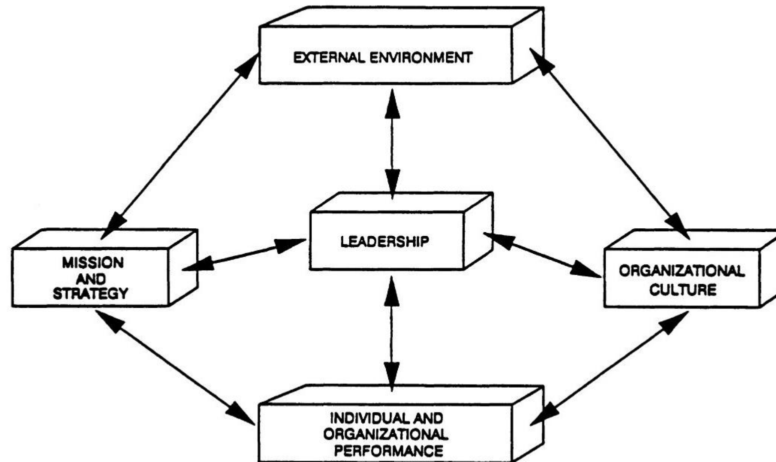

Figure 3. Transformational factors of the Causal Organizational Performance and Change model, by Burke and Litwin, 1992.

The Applicability of the Model to the Study

The transformational component of the Causal Performance and Change model (Burke & Litwin, 1992, Burke, 2010) includes external environment, mission and strategy, leadership, organizational culture, and performance as variables. The following section provides an explanation of the conceptual relation of the study to the transformational variables of the Causal Organizational Performance and Change model.

External environment refers to the demographic changes of the workforce as a result of phenomena, such as globalization, immigration, and so forth. Mission and strategy are defined as organizations adoption of various programs with the intent of creating inclusion within organizations to ultimately improve performance. The leadership component of the model in turn refers to the leadership's support for various inclusion-oriented programs related to organization policies, benefits, and employee development. The organization leaders' support for inclusive policies in turn may impact the percentage of females and minorities in executive management.

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As discussed above, culture plays an integral role in the model. In the context of this study, culture is defined as organizations' efforts in creating programs that help develop and sustain an inclusive environment, such as offering work-life balance programs, employee benefits and compensation, and training and development opportunities for employees. Performance refers to the revenue per person, which analyzes the output of individual employees, as well as employee voluntary turnover. This study will analyze the bidirectional relationship of the above-mentioned variables and their relationship to organizations' performance.

The transformational changes component of the Causal Performance and Change model (Burke & Litwin, 1992) is an appropriate methodology framework for this study for four reasons. First, it underscores the importance and impact of the external environment, in this case, the changes in demographics and workforce composition. These changes have compelled organizations to look at diversity's business potential and underpin this study's focus on relating firm diversity to firm performance. Second, it emphasizes leadership's support in effective management of diversity and creating inclusive organizations, with the aim of utilizing the firm diversity to improve performance. This is crucial for this study to examine the percentage of women executives in companies being studied and how such broad diversity in turn is related to the organizations' performance. Third, the model incorporates strategy and culture components that relate to the adoption of management practices with intent of creating inclusive organizational cultures by implementing initiatives, such as Work-life balance programs, employee benefits, compensation programs, and employee training and development programs. Last, the model underscores the influence of such variables as leadership, culture, and strategy of organizations on firm level performance, which is congruent with the aim of the study to analyze

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the relationship of organizations' diversity to performance, while taking into consideration organizations' culture.

Statement of the Problem

Scholars (Barney, 1991; Barney et al., 2001; Wiklund & Shepard, 2003) stressed the importance of identifying firm-level conditions that permit the effective use of both resources and capabilities, such as organizations' diverse workforce, for attaining competitive advantage (Newbert, 2007). However, Wiklund and Shepherd (2003) argued that the possession of valuable, rare, and inimitable resources is insufficient for the attainment of competitive advantage, and that firms must also possess appropriate organization in order to effectively utilize such resources. Bezrukova and Jehn's (2012) meta-analysis of 178 articles on diversity yielded mixed results between diversity and performance at the organizational level. Sabharwal (2014) suggested that organizational performance is highly dependent upon effective management of diversity and inclusion measures. The scholars further suggested that inclusion measures within organizations, such as family friendly policies and structural changes to the organization, will not result in an inclusive organizational culture, conducive to productivity for all organizations' members, without top management's support for such initiatives. As mentioned above, many studies have analyzed the impact of diversity on people and organizations (Anderson & Cavanagh, 2000; Bezrukova & Jehn, 2012; Carrell, Mann, & Tracey, 2006; Chang, 2009; Cox & Blake,1991; Engardio, Bernstein, & Kripalani, 2003; Hassan, 2009; Hubbard, 2004; Lockwood, 2005; Obina, 2012; Tomervik, 1995; Sabharwal, 2014); however, it is still unclear whether and how diversity is related to organizational culture and subsequently to organizational performance. Furthermore, virtually no known studies have been found by the

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author that analyze the relationship between diversity and performance in the case of 100 Best Companies to Work list in the United States. The list of Best Companies to Work is created based on employees' and managers' responses to the organizations' cultural audit; the criteria include employee Benefits and compensation, family friendly work policies, and employee training and development. However, the list does not allow one to speculate on the relationship of diversity to organizations' performance in the case of 100 Best Places to Work, because that would require also quantifying various inclusive organizational measures.

Statement of the Purpose

This study focuses on the 100 Best Companies to Work list, published annually by *Fortune Magazine* based on the research and analysis of the Great Place to Work Institute. The Great Place to Work Institute annually conducts an anonymous survey and cultural audit from the applicant companies' employees and managers in regards to workplace practices and policies in addition to questions concerning employee demographics. The companies are then categorized and ranked based on the score they receive from the surveys. These companies have been selected for this study as they have been identified through anonymous employee and manager surveys as having a great organizational culture. The purpose of this dissertation is to study the relationship between organizational diversity and culture and their relationship to organizational performance; specifically, it will provide an ex post facto analysis of the 100 Best Companies named by *Fortune Magazine* as the best places to work for in the United States in 2014.

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Research Questions

This research will be guided by the following questions:

1. Are the employee demographics of companies included in the 100 Best Places to Work list on average similar to the workforce demographics in the United States, based on the Federal Equal Opportunity Recruitment Program (FEORP) Employee Breakdown, with respect to the percentage of female and minority employees?

2. Is there a statistically significant relationship between the organizations' percentage of female executives, female employees, minority employees and the organizations' annual revenue?

3. Is there a statistically significant relationship between the organizations' percentage of female executives, female employees, minority employees, and the organizations' annual revenue per employee?

4. Is there a statistically significant relationship between the organizations' work-life balance programs score (telecommuting, work sharing, compressed workweek, and onsite childcare), benefits and compensation programs score (percentages of company-paid health coverage for employee, percentage of company-paid health coverage for dependents, 401K, pre-tax savings account, and deferred profit sharing plan), employee training and development score (college tuition reimbursement, average annual training

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for fulltime employees, average annual training for part-time employees), and the organizations' annual revenue?

5. Is there a statistically significant relationship between the organizations' work-life balance programs score (telecommuting, work sharing, compressed workweek, and onsite childcare), benefits and compensation programs score (percentages of company-paid health coverage for employee, percentage of company-paid health coverage for dependents, 401K, pre-tax savings account, and deferred profit sharing plan), employee training and development score (college tuition reimbursement, average annual training for fulltime employees, average annual training for part-time employees) and the organizations' annual revenue per employee?

6. Is there a statistically significant relationship between the organizations' work-life balance programs score (telecommuting, work sharing, compressed workweek, and onsite childcare), compensation programs score (percentages of company-paid health coverage for employee, percentage of company-paid health coverage for dependents, 401K, pre-tax savings account, and deferred profit sharing plan), employee training and development score (college tuition reimbursement, average annual training for fulltime employees, average annual training for part-time employees) and the organizations' percentage of voluntary turnover?

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Table 1
The Summary of Major Variables to be Used in the Study

Independent Variables	Dependent Variables
FEORP percentages of workforce breakdown in the United States in terms of women and minorities	Organizations' Annual Revenue Organizations' Annual Revenue Per Employee
Percentage of Female Executives	Organizations' Annual Revenue Percentage of Voluntary Turnover
Percentage of Female Employees	FEORP, workforce demographic breakdown in the United States, and the demographic breakdown in the 100 Best Companies to Work, in the United States
Percentage of Minority Employees (Blacks, Hispanic, Asian, and others).	
Work-Life Balance Programs score	
Compensation Programs score	
Training and Development Programs score	

Statement of the Need

Sabharwal (2014) stressed the importance of creating inclusivity in organizations for achieving better performance. However, creating diversity within organizations does not automatically result in an inclusive organization where everyone's talents are fully utilized in achieving organizational goals; leadership support is highly important in creating and fostering a culture of inclusivity in organizations with the aim of improved performance (Barney, 1991; Holvino, 2004; Sabharwal, 2014). Organizational culture and leadership support for changes

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within organizations play an integral role in transitioning organizations' diversity into inclusion with the aim of improved performance. For that reason, we need to study not only the impact of diversity on organizations' performance, but also the influence of diversity on organizational performance in high culture organizations such as the 100 Best Places to Work list, which have been selected by their employees through anonymous surveys as best places to work in the United States.

Statement of Assumptions

The study is based on the following assumptions:

1. As the data for this study is retrieved from Great Place to Work Institute's website and based on information provided by the participating companies, the study assumes that the self-reported data is accurate.
2. As the companies on the Great Places to Work list have been selected based on anonymous surveys conducted by the Great Place to Work Institute from employees and management on organizations' culture, this study assumes that the 100 Best Places to Work companies do have a great organizational culture.
3. This study also assumes that organizations' benefits and compensation, training and development opportunities for employees, and various forms of work-life programs for employees are important factors in creating a good organizational culture.
4. As this study is analyzing the effect of diversity within organizations on performance, the study has chosen revenue as a benchmark for organizational performance; annual revenue represents company sales, which are a result of employees' output.

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5. This study considers voluntary turnover as part of organizations' performance, as voluntary turnover plays an important role in measuring the employees' satisfaction from the company.

Statement of the Limitations

This study is limited to the 100 Best Companies to Work list for 2014 as researched by the Great Place to Work Institute, and published by *Fortune Magazine*. The research is further limited in its scope by relying on the data that the Great Place to Work Institute shares publicly; therefore, the study at this time would not be able to determine the extent to which each company's diversity management and training initiatives have had positive impact, if any, on organizational performance. Moreover, self-reported data by some companies on the 100 Best Companies list reflects their global revenue and number of employees, whereas other companies provided the number of U.S employees and revenue. This research, therefore, is preliminary to future studies that will be designed to allow more extensive and longitudinal analyses of the impact of diversity management and training on company performance.

Operational Terms

Diversity: Differences which exist between individuals in terms of race, sex, and age (Gardenswartz and Rowe, 1994; Hanappi-Egger, 2012).

Diversity Management: Set of initiatives undertaken by organizations to recognize and leverage the differences of individuals within an organization (Tomilson & Schwabenland, 2010).

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Employee Benefits: Programs, such as retirement and financial planning in the form of pretax savings and 401 K, in addition to company paid health insurance for employees and their dependents.

Employee Training and Development: Endeavors by organizations to keep their work force up-to-date and relevant through various initiatives, such as internal training, external training, and fully or partially funding continuous education opportunities for employees (Arthur, Bennett, Edens, & Bell, 200; Burke & Day, 1986; Guzzo, Jette, & Katzell, 1985; Kirkpatrick, 2006).

Inclusion: The degree to which employees and their ideas are valued and utilized within the organization, and how current employees feel towards belonging to the organization and feel connectivity to organizations' goals (Gasorek, 2000).

Organizational Culture: Set of shared assumptions held by a group, which influences how the group understands and reacts to its environment. Organizational culture includes the following three characteristics: culture works at different levels; it is passed from current members to new members through the socialization process, and it influences employees' behavior at work (Schein, 2004).

Organizational Inclusive Behavior: Organizations that enjoy top leadership support in creating an inclusive environment, in which organizations' management treats employees in a fair and equitable manner, and employees are able to influence organization's decision-making processes (Sabharwal, 2014).

Performance: An integrated and strategic approach aimed at creating success for organizations through developing employees' capabilities for better performance (Baron, 1998).

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Revenue: An important financial measure of organizations' actual financial performance as it is indicative of companies' gross earnings based on their business activities (Wagenhofer, 2014).

Revenue per Employee: An important ratio as it refers to a company's sales in relation to number of employees it has: Revenue per employee = $\frac{Revenue}{Number\ of\ Employees\ in\ the\ Firm}$ (Cascio et al., 2005).

Voluntary Turnover: Number of employees who have elected to leave the company in a given time period.

Work-Life Balance Programs: Programs offered by organizations to help employees' achieve better balance between their work and life responsibilities (Moss, Bardoel, & Tharenou, 1998; Sammer, 2007).

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CHAPTER 2

REVIEW OF THE LITERATURE

The review of literature commences with the analysis of organizational diversity and various theories associated with it in an organizational context. In addition, the literature review compares the status of federal workforce diversity in the United States of America to that of the 100 Best Companies to Work list (2014). Furthermore, this review focuses on the existing literature on diversity and its relationship to performance within the framework of Causal Performance and Change Model (Burke & Litwin, 1992). The Causal Performance and Change Model comprises various organizational dynamics that result in effective changes within organizations through creation of inclusive cultures; such initiatives allow organizations to better utilize their resources, in this case, organizations' diversity, to improve the organizations' performance. Therefore, the study will also analyze existing research concerning the role of organizations' leaders in creating inclusive cultures, work-life balance programs, compensation programs, training and development, as well as the literature in regards to organizations' performance, in particular, studies pertaining to organizations' revenue per employee and turnover, the factor on which this study focuses as the measure of organizational performance.

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Diversity

Robinson and Dechant (1997) contended that the Equal Employment Opportunity Commission (EEOC) in the United States had traditionally defined diversity as limited to gender, age, and racial ethnicity. However, the recent broadened definitions of diversity have evolved to include differences such as physical abilities, skills, attitudes, and background (Robinson & Dechant, 1997). Milliken and Martins (1996) categorized diversity by observable characteristics such as gender, age, and race, and non-observable characteristics, which are not as easy to detect, such as religion. They argued that observable diversity characteristics are more likely to arouse reactions than non-observable characteristics, due to being easily detectable.

Hanappi-Egger (2012) suggested that diversity can be explained and categorized based on two approaches. The first approach is the difference-oriented approach where diversity is dealt with in terms of groups and social categories. To study diversity under this approach entails analyzing individuals or groups which belong to a specific diversity category and ascertaining how belonging to this category could prove advantageous or disadvantageous for this group in a given social setting. However, it is noteworthy that the difference-oriented defines diversity differently under different terms and conditions. For instance, Voigt (2001) defines diversity in terms of visible and invisible diversity. Visible diversity refers to characteristics that could be visibly detected, such as race and gender. Invisible diversity, on the other hand, consists of characteristics which are not visible, such as religion and sexual orientation; however, these characteristics still make the individual or group belonging to this category different from others. Thomas (2001, 2013) defined diversity in terms of person-immanent diversity which is the

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individual level diversity, including the characteristics of gender, sexual orientation, education, and background, and behavior-immanent diversity which refers to individuals' behavior as a consequence of their person-immanent diversity. Simply put, Thomas suggests that individuals may act or react to situations in a certain way due to their background. By contrast, Gardenswartz and Rowe (1994) defined diversity in terms of internal dimensions such as race, sex, sexual orientation, or age, which are generally permanent, and external dimensions which can be altered throughout an individual's life, such as the level of education or religion. In addition, Gardenswartz et al. mention another form of diversity dimension which is work-related diversity such as seniority, commitment, work divisions, and so forth.

The second approach for studying diversity is the intersectionality/inter-categorical approach (Hanappi-Egger, 2012). The intersectionality approach endeavors to include different facets of discrimination in studying diversity in addition to studying the overlapping discrimination towards the same individual (Hanappi-Egger, 2012). For example, a black woman can face a complex discrimination which goes beyond the mixture of sexism and racism (Crenshaw, 1989). Although, the intersectionality approach encompasses a more extensive analysis of discrimination, it is more frequently used in scholarly studies of diversity, as opposed to organizational studies, as the application of this approach in the organizational context would prove rather challenging (Boogaard & Roggeband, 2010). Therefore, due to time and resource constraints, and the difficulty of using the intersectionality approach in the organizational context, as well the study's limited access to comprehensive diversity data, this study will focus on the difference oriented approach in analyzing the effect of women and minorities on organizational performance.

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Diversity in America

Caleb (2014) contended that, regardless of the advancements in the diversity and inclusion dialogue in the United States, the mere mention of the word diversity brings about anxiety and conflict. He further argued that, despite organizations' spending billions of dollars in an attempt to attract and diversify their workforce, the leadership ranks within American businesses are still predominantly filled by white -males, and there are still instances of discrimination lawsuits. Therefore, with the increasing diversity in the American workforce, and despite corporations' increasing efforts to attract and recruit diverse employees in the hopes of improved performance, it is pertinent to analyze the relationship of diversity, if any, to organizations' performance, and whether diverse organizations both in terms of their employees and executives experience improved firm-level performance in terms of revenue, revenue per employee and employee commitment to the company in terms of voluntary turnover.

Federal Equal Opportunity Recruitment Programs' Diversity Report to the Congress

On August 18, 2011, President Obama signed Executive Order 13583, establishing a Coordinated Government-Wide initiative to Encourage Diversity and Inclusion in the Federal Workforce (FEORP Report to Congress, 2011). Consequently, the Office of Personnel Management (OPM), in consultation with the Office of Management and Budget (OMB) as well as the Equal Employment Opportunity Commission (EEOC), established a Government-wide Diversity and Inclusion Strategic Plan, which serves as a guide for the governmental agencies in implementing the President's Executive Order 13583. The coordinated Diversity and Inclusion Strategic plan provides governmental agencies with shared direction, encourages commitment to diversity, and allows agencies to approach their diversity and inclusion efforts in a coordinated

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and integrated method. The aim of this coordinated Strategic Plan is to ensure workforce diversity, inclusion, and sustainability in the Federal Agencies.

On March 16, 2012, federal agencies were required to submit their respective Diversity Strategic Plan in accordance with the Federal Diversity Strategic Plan. After the initial submission of the agency-specific diversity strategic plans, Office of Personnel Management conducted a three-phase review process with the agencies' Chief Human Capital Officer (CHCO), Equal Employment Opportunity (EEO) Director, as well as the diversity and inclusion (D&I) person, where one was available, to discuss both best practices in regards to their diversity and inclusion efforts and any obstacles faced in implementing the diversity plan. After the completion of the three-phase consultation with each agency concerning their best practices and progress in implementing their diversity strategic plan, the agencies were directed to comply with the Executive Order by identifying and promoting best practices for diversity and simultaneously removing obstacles to equal employment opportunity, in accordance with the law and the merit systems. Table 2 illustrates the breakdown for the Federal Agencies Workforce (FEORP, 2012).

Table 2
Representation of Federal Workforce

Population group	Representation of the Federal Workforce		Representation in the Senior Executive Service	
	FY 2012	FY 2011	FY 2012	FY 2011
Men	56.5	56.4	66.5	67.7
Women	43.5	43.6	33.5	32.3
Hispanic or Latino	8.2	8.1	4.1	4.1
White	65.4	65.9	80.6	81.2
Black or African American	17.9	17.8	10.5	10.1
Asian/Pacific Islander	5.8	5.6	3.3	3.2
American Indian/Alaska Native	1.7	1.7	1.4	1.1
Non-Hispanic/Multi-Racial	1.0	0.8	0.6	0.5

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The Federal employment statistics used in this report were recorded as of September 30, 2011, and are reproduced from Office of Personnel Management's Central Personnel Data File. The data is representative of the permanent employees in all pay plans and those in the non-postal Federal Executive Branch agencies participating in the Central Personnel Data File (CPDF) (FEORP, 2012). For the purpose of analysis, this paper has added up the percentages of all non-white employees as a total representation of the minority workforce percentage amounting to 34.6% percent, the percentages of white and women employees are as reported, 65.4% and 43.5% respectively. Therefore, all the minority groups' percentages will be added, and the total number would serve as the analysis threshold for comparison purposes of the percentage of minority employees in the 100 Best Companies to Work list.

Historical Case for Diversity

The reality of diversity in American businesses has generated a great amount of scholarly research in recent decades. However, the concept of diversity in the workplace has evolved from the 1960s to the present day (Kochan, Bezrukova, Ely, Jackson, Joshi, Jehn, Leonard, Levine, and Thomas, 2003).

Title VII of the Civil Rights Act, 1964, made discriminatory employment practices based on race, color, sex, religion, and national origin illegal in the United States. In addition to employment practices, Executive Order 11246 (in 1965) mandated government contractors to take affirmative actions to overcome past patterns of discriminatory exclusions. The above legislations were geared towards both eliminating employment discrimination based on surface level diversity and extending equal employment opportunity to all applicants with similar qualifications and capabilities (Kochan, Bezrukova, Ely, Jackson, Joshi, Jehn, Leonard, Levine,

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and Thomas, 2003). Furthermore, the above legislations not only encouraged equal employment opportunity, they also made discrimination very costly for organizations which were found to be non-compliant with Equal Opportunity legislations (Kochan et al., 2003).

By the 1970s and 80s, the private sector had begun to recognize the importance of Affirmative Action and Equal Opportunity in their Human Resource practices; however, during the same time period, it was noted that a diverse employee body did not necessarily result in inclusion at the organizational level (Sabharwal, 2014). Such lack of inclusion at the organizational level largely occurred due to the unchanging mindset of many of the employees towards working with a more diverse workforce (Kochan et al., 2003). Therefore, in order to counter this challenge to organizational diversity and inclusion, many organizations put in place initiatives to train and develop their workforce with the aim of creating an organizational culture where diversity is recognized and appreciated. Such initiatives were designed to help eliminate subtle forms of discrimination through changing employees' attitudes towards diversity. However, despite the popularity of diversity training initiatives during this era, the case for diversity was still largely legislative, while the business case for diversity had not yet been recognized. (Kochan et al., 2003).

The 1990s saw the focus of diversity dialogue both among academics and practitioners shift from legislation-based compliance to making the case for added value to organizations through diversity (Kochan et al., 2003). Simons and Rowland (2011) listed various theoretical perspectives associated with making the business case for diversity. The first perspective is the information and decision making perspective. Cox and Blake (1991) suggested that the information and decision-making perspective provides the theoretical basis for the connection

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between diversity and effectiveness. They suggested that organizations which learned to effectively manage their diversity were set to benefit in all areas of organization such as cost, recovery acquisition, marketing, creativity, problem solving, and systems flexibility, which in turn can increase organizations' potential for obtaining competitive advantage. The authors further suggested that the information and decision-making perspective captured the essence of the cognitive resource diversity theory which assumed that the cognitive resources of each member within a team contributed to the overall performance and success of the whole team; as such, diverse teams would be able to bring about more diverse cognitive resources, allowing for broader decision-making abilities within teams (Horwitz, 2005; Simons & Rowland, 2011). However, as Van Knippenberg and Schippers argued (2007), this framework, as evidenced through Guzzo and Dickson's (1996) study, focuses on the dynamic of diversity and its effectiveness within teams and does not capture the relationship of diversity to the organization. Horwitz (2005) explained that the social organization perspective is yet another theoretical perspective which helps to understand the relationship of diversity to team performance. McPherson, Smith-Lovin, and Cook (2001) suggested that the social organization perspective is based on the notion that individuals with shared similarities would work together more effectively than those who do not share those similarities with them. This perspective assumes that those who belong to certain social categories, such as race, age, and gender, can use their social category to access external networks which are not easily available to other social categories (Horwitz, 2005). However, Schneider and Northcraft (1999) cautioned that the social organization perspective's focus on stratifying individuals in the organization based on their social category could lead to loss of efficiency in addition to creating animosity among different

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social categories in organizations, especially against those groups who are perceived to have better social treatment. The authors further suggest that such intra-group tensions within companies can lead to lowered desire by individuals and managers to participate in organization diversity and ultimately damage the social foundation of organizations.

Horwitz (2005) further elaborated that, due to the conflicting results from the information and decision-making perspective as well as the social organization perspective, a combination these two perspectives may bear more fruit in regards to understanding the impact of different level diversities, for example, bio-demographic diversity which is composed of age, race, and gender, as well as job-related diversity which includes functional expertise, education, and organization tenure on team performance, while considering moderating factors such as team type, team size, task complexity, and frequency and duration of interactions. Moreover, during the same time period, Johnston and Packer (1987) produced a report titled Workforce 2000, published by the Hudson Institute. This report contended that, by the year 2000, the American workforce was going to become much more heterogeneous and the newcomers to the workforce would comprise a greater number of women and racial minorities as well as immigrants in comparison to white men. The report further stressed the importance of effective management of diversity and urged organizations and policy makers alike to address this issue, especially if the US wanted to retain its economic dominance in the 21st Century.

As mentioned previously, the Hudson report (1987) shed light on the notion that diversity can serve as an organizational asset, which, if leveraged properly, would lead organizations' competitive advantage (Boxenbaum, 2006; Kelly & Dobbin, 1998; Robinson & Dechant, 1997). The resource-based view of the firm conceptualizes diversity in firms in terms of rare, valuable,

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and difficult to imitate resources, which, if utilized properly, could result in firms' competitive advantage. Under this perspective, it was suggested that companies which espoused and effectively managed a more diverse workforce were in turn able to reach more diverse customer bases, gain greater access to diverse markets, improve their learning and creativity, and improve their organizational flexibility (Barney, 1995; Richard, 2000). Such reports and the business case for diversity energized organizations to further assess the impact of inclusion on their performance. Among practitioners' who advocated the business case for diversity was the former CEO of Hewlett Packard (Kochan et al., 2003). He pointed out very important benefits that organizations could achieve, should they learn to manage their diversity effectively. Figure 4, explains his vision of integrating organizations' diversity for better performance.

"I see three main points to make the business case for diversity:

1. A talent shortage that requires us to seek out and use the full capabilities of all our employees.
2. The need to be like our customers, including the need to understand and communicate with them in terms that reflects their concerns.
3. Diverse teams produce better results.

This last point is not as easy to sell as the first two-especially to engineers who want the data. What I need is the data, evidence that diverse groups do better."

Figure 4. Hewlett Packard CEO's vision for making the case for diversity, by Kochan et al., 2003, p. 5.

As the figure above implies, there is a need for companies to see actual figures in regards to the relationship of diversity and company performance. This trend of analysis and research has continued till the present day.

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The Empirical Literature on the Relationship between Organizational Diversity and Performance

Christian, Porter, and Moffitt (2006) argued that, when it comes to foundational diversity in the workplace literature, the result is very mixed. While some research has shed light on the positive effects of diversity, there are other theoretical assumptions that suggest diversity can have negative effects. However, the authors further explain that this dichotomy in results may in fact be the result of the research design as well as how each study defines diversity (Christian, Porter, and Moffitt, 2006). Furthermore, studies by Richard and Johnson (2001) Richard and Shelor (2002), and Williams and O'Reilly (1998) point to the lack of concrete research within organizations which would demonstrate a correlation between diversity and organizations' financial performance (Kochan et al., 2003). Kochan et al. (2003) agreed that the research linking diversity to performance has proved inconclusive. Kochan et al. explained that difficulty in addressing diversity in research is due to several factors including the sensitivity of the topic of diversity in organizations, organizations' reluctance to share their diversity data with researchers due to fears of legal ramifications, and the complexity of linking organizations' diversity to their financial performance irrespective of other moderating factors and dynamics. Moreover, other empirical studies have found that more diverse groups do not produce better performing and more committed employees (Jackson et al., 1995; Millikin & Martins, 1996; Williams & O'Reilly, 1998). Therefore, there is a distinct mismatch between the empirical evidence from organizations and theoretical perspectives on the relationship of diversity and performance.

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Simons and Rowland (2011) in their meta-analysis of the empirical literature in relation to diversity and performance conducted in the past two decades have found that the diversity and performance literature is predominantly focused on team diversity and its relation to performance, as opposed to focusing on diversity at organizational level, and that the results of each study depend upon how diversity is defined within the study in terms of bio-demographic diversity or job-related diversity.

Rynes and Rosen (1995) surveyed 785 human resource professionals to empirically assess factors contributing to the adoption of diversity training initiatives by organizations as well as the perceived training success within organizations after training adoption. They reported a positive statistical correlation between the adoption of diversity training programs and organization size, top management support, as well as firms' prioritization of diversity in staffing and firm level objective setting. Their analysis further revealed that the perceived training success was associated with the long-term evaluation of training results, mandatory attendance requirement for all managers, manager support for the training, and managerial rewards for increasing diversity within organizations. However, Rynes and Rosen suggested that their analysis found little support for the relation between top management diversity and the adoption of diversity training programs. The authors, however, cautioned that this lack of effect may, in fact, be a result of participant range restrictions for this variable: 75% of the respondents said that the top management in their respective firms was composed of 80% or more while males, and 40% of the respondents said their top management was comprised of 100% white males.

Jehn, Northcraft, and Neil (1999) conducted a multi-method field study of 545 employees within 92 workgroups in the headquarters of a household moving company in order to identify

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the impact of different types of diversity, such as social category diversity, value, and information diversity, and the moderating factors such as task type and task interdependence on workgroup performance. As Jehn et al. (1999) posited, information diversity had a positive relation to actual workgroup performance. Value diversity, on the other hand, moderated the effect of information diversity on efficiency and actual performance. Furthermore, information diversity had a more positive relationship to efficiency when there were low levels of social diversity. Moreover, increased value diversity in the workgroup decreased team members' satisfaction, intent to stay, and commitment while increased level of social category diversity increased the team members' satisfaction, intent to stay, and commitment.

Richard and Kirby (1997) conducted a laboratory study within the organizational justice framework to assess how justification for diversity programs affected the performance of diversity programs and the beneficiaries' attitudes towards these programs in the case of 93 upper division African-American Business students. They ascertained whether diversity programs with no offered justification for their existence resulted in different attitudes both towards the program and, subsequently, towards hiring a more diverse workforce, in comparison to attitudes towards programs which offered marketing and organizational creativity, in line with Cox and Blake's (1991) argument for the business case for diversity, as their justification. Richard et al. (1997) analysis suggested that justified diversity programs resulted in more favorable attitudes towards hiring in comparison to the results from unjustified diversity programs. However, the authors' analysis did not find that diversity programs affected employees' opinions on such diversity programs.

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Scholars Kochan et al. (2003) at the Diversity Research Network conducted an empirical study on the effects of diversity on performance in order to further evaluate the business case for diversity. The researchers relied upon four large U.S corporations for their analysis. As noted by the authors, the Network relied upon the participation of only four companies largely due to encountering disinterested firms even after discussing confidentiality of the study in detail, or encountering diversity officers within organizations who were interested in participating but could not persuade their firms to continue on with the study. Figure 5 is the model that the authors adopted for their analysis of diversity's effect on performance.

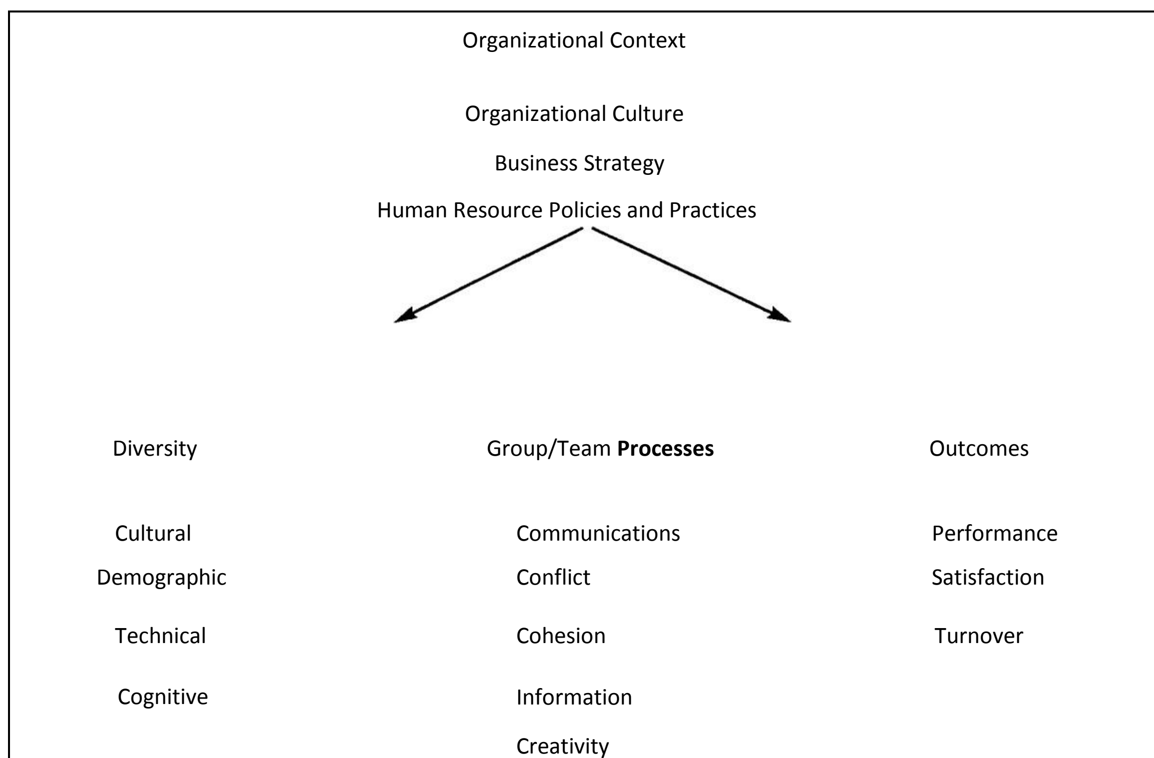

Figure 5. The effects of diversity on group processes and outcomes, by Kochan et al., 2003, p.6.

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The above study's methodology was guided by the analysis of indicators of team diversity, such as gender diversity and ethnic diversity, and the dependent variables of team processes and team performance, using multiple analyses and moderating effects in four large fortune 500 companies within different industries which had very active strategic diversity initiatives throughout their operations. Although the firms belonged to different industries, the quantitative analysis of the study revealed similar results.

Kochan et al. (2003) empirical analysis found that diversity has few effects on performance, both in a positive or negative sense, and that context plays a very big role in determining the impact of diversity on performance. The authors further argued that highly competitive teams exacerbated the negative effects of racial diversity on performance while organizations which promoted learning from diversity had a more enhanced impact from racial diversity on their performance. Furthermore, this study found that gender diversity was less problematic than racial diversity, mainly because, as the authors explained, the four companies which were analyzed had better representation of women in contrast to minority representation of both men and women. This study's aim was to assess the feasibility of conducting research in organizational setting, and the scholars found that organizations faced difficulties linking their diversity to their performance, and that practitioners paid very little analytical attention to issues in organizational setting.

Jehn and Bezrukova (2004) conducted an analysis of the moderating effects of workgroup context between group diversity and different performance outcomes by analyzing a sample of 1285 workgroups in Fortune 500 information processing firms. As the authors contended, this study is unique in that it takes into consideration the environment in which

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workgroups operate as it pertains to workgroups culture, be it people-oriented or competition-oriented, workgroup strategies such as growth, stability, or customer-oriented, and HR practices such as training or diversity-oriented. Jehn and Bezrukova (2004) concluded that workgroups in an environment which is conducive to people-oriented approach and which emphasizes collectivity and group work can actually facilitate the actions of diverse employees with desired performance outcomes. The authors further explained that this outcome may be due to the fact that in this type of environment the members do not categorize themselves based on their functional backgrounds, focusing instead on group goals and success. Therefore, members in such an inclusive environment will produce more sales, better customer service, and make fewer errors.

Gonzalez and Denisi (2009) studied the effect of demographic diversity on individual attachment and unit performances in firms. They analyzed race and gender in a sample of 26 units of a regional restaurant chain, which is a very diverse organization. Their findings suggested that organizational diversity climate moderated the impact of categorical and relational diversity on organizational commitment, intention to quit, and organizational identification at the individual level. Their analysis further found that organizational diversity climate moderated the impact of organizational diversity on organizational productivity and return on profit. The study further highlighted the importance of organization diversity climate as it plays an important role at both individual and organizational levels. Ostergaard, Timmermans, and Kristinsson (2011) conducted an econometrics analysis to assess the relationship between organizational diversity in terms of age, gender, ethnicity, education, and innovation within Danish firms with more than 20 employees. Their analysis yielded that while education and gender were positively associated

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with innoviation, age had a negative effect on innovation, and ethnicity showed no effect on innovation.

The Empirical Literature on Board Diversity and Performance

Dahya, Dimitrov, and McConnell (2008) suggested that the era of unprecedented governance failure has heightened the emphasis placed on the monitoring role of the firms' board by regulators and investors alike. The theoretical frameworks concerning board diversity are divided into two main perspectives (Forbes & Milliken, 1999; Ararat, Aksu, & Cetin, 2015). The first approach is the resource dependency theory developed by Pfeffer and Salancik (1978), and the second is the agency approach which relates to service and control tasks of the board. However, most corporate governance research into gender diversity when pertaining to market or financial measures will fall under the agency approach (Terjesen et al., 2009). Hart (1995) contended that, in the agency theory approach, the board's monitoring mechanism serves to sideline management's desires to act in self-interest and contrary to the shareholders' interest.

Ben-Amar, Francoeur, Hafsi, and Labelle (2013) have distinguished board diversity in terms of board demographic diversity and board structural diversity. They further suggested that the impact of demographic diversity is associated with the service task of the board, while structural diversity is concerned with board independence**.** Ararat, Aksu, and Cetin (2015) have researched the indirect effect of demographic diversity in the board on firm performance with board monitoring as the moderating factor, in the context of relatively homogeneous boards in term of structural diversity by using data from Turkey. Ararat et al. (2015) contented their analysis has yielded a positive, non-linear relationship between demographic diversity and performance. They further contended that demographic diversity enhances firm performance by

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extenuating the negative effects of wedge on board monitoring, highlighting the importance of analyzing the contextual factors when studying the relationship between diversity and performance. Chapple and Humphrey (2014) have compared the portfolio performance of firms on S&P ASX 300 with gender-diverse boards to portfolio of firms which do not have gender diverse boards. They further investigated whether there is a performance impact when boards comprise multiple women in these companies. Chapple and Humphrey (2014) suggested their study did not find any association between board diversity with performance. They claimed, however, that they found a weak negative correlation between multiple women on the board and performance, while reporting a positive relationship between board diversity and performance in some of the studied industries. As evidenced above, although much of the literature is divided with respect to the role of diversity and firm performance, most studies have suggested that the relationship of diversity to firm performance must be contextualized for moderating factors because such moderating factors make a difference in how diversity affects the firm, and its relationship to performance. Such moderating factors as leadership, organization structure, and organization culture could make a difference in how the diversity within firms is efficiently utilized to improve firm performance (Barney, 1991; Burke & Litwin, 1992; Cox & Blake, 1991; Sabharwal, 2014). The Causal Performance and Change Model (Burke & Litwin, 1992), provides a framework under which the moderating factor influencing diversity's relationship to firm performance could be analyzed.

Causal Performance and Change Model

As shown above, most studies pertaining to diversity and organizational performance have pointed out the integral role of leaders as well as the organizational context such as culture

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in regard to the firms' ability to create and sustain inclusivity, ensuring that the talents of all individuals are utilized in achieving organizational goals (Barney, 1995; Burke & Litwin, 1992, 2010; Cox & Blake, 1991; Sabharwal, 2014). In the Causal Performance and Change Model, Burke and Litwin (1992) suggested various interlinked organizational variables which can affect one another by-directionally, so that a change in one can result in change in the other variables. They further divided their model into transformational and transactional sections. Burke and Litwin defined transformational changes as those which are propelled by the environment both within and without the organization, and which will require all organization members to develop a new set of behaviors. Transactional changes are defined as series of short-term reciprocity changes between different individuals and groups within organizations. This study utilizes only the transformation set of the model due to the study design and applicability.

Burke et al. (1992) define the variables in the transformational section of their model which serve as the theoretical basis of this study as the following:

External Environment: An external situation or condition which influences the organizations' performance.

Mission Statement & Strategy: The direction in which the organization is headed, as declared by the organizations' top leaders and which the employees consider the main purpose for the organization. The strategy in turn is how the organization plans to achieve its objectives and purpose in the long-term (Burke et al., 1992).

Leadership refers to the role of top executives within organization in providing direction and serving as role models for all employees within the organization (Burke et al., 1992). It should be noted that the Causal Organizational Performance and Change model makes clear the

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distinction between leadership and management in line with the schools of thought of such scholars as Bennis and Naus (1985), Burke (1986), Burns ((1978), and Zaleznik (1977).

Culture: Burke et al. (1992) define culture as the way things are done in the organization. Deal & Kennedy (2000) further associate culture with values and principles which are long-lasting and which guide the behavior of the organization.

As such, the transformational segment of the model is the most applicable to this study, as it considers the impact of demographic changes and workforce diversity as the environmental factor, in addition to analyzing the role of organizational leadership and firm culture, and their relationship to organization performance.

Role of Leadership in Creating Inclusive Organizations

Bennett (1986) argued that leaders vary in their degree of receptiveness and openness towards other cultures and values; the author suggests a five-stage continuum in regards to leaders' degree of receptivity towards diversity which can subsequently affect the leaders' influence in creating and fostering an inclusive organization (see Figure 6).

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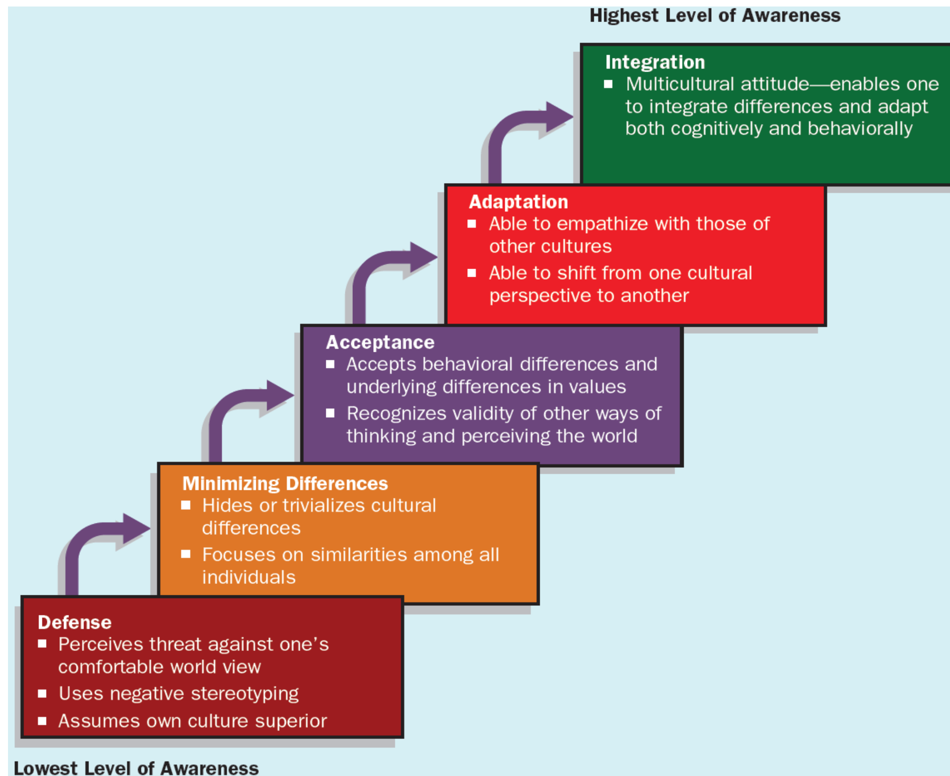

Figure 6. A developmental approach to training for intercultural sensitivity, by Bennett, 1986, p. 179-196; Daft, 2014.

Leaders in stage 1 of the continuum on diversity readiness consider differences as threats and problems that must be dealt with: diversity presents an uncomfortable front to their worldview. Such leaders' extent of openness to diversity is to stay compliant with the law, and they only promote a few minorities to senior positions, mostly for legal compliance (Bennett, 1986). Leaders at stage 2 focus on the similarities as opposed to differences; however, they still hold on to subtle biases against women and minorities. Although at this stage leaders have moved on from open opposition to diversity, they still fail to address the challenges faced by women and minority in the organization (Bennett, 1986). Leaders in stage 3 accept cultural differences and worldviews. They further accept such differences not for the sake of women and

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minorities in the organization, but for the sake of the organization as a whole. Furthermore, in this stage, leaders are cognizant of the insight women and minorities can bring about for new marketing and customer opportunities and, therefore, look for ways to attract and retain a more diverse workforce. Leaders in this stage promote more women and minorities to senior positions and provide diversity training to all employees (Bennett, 1984). Leaders in stage 4 of the continuum have the ability to empathize with people who are different and can easily adopt and accept different cultural perspectives. Leaders at this stage show a high commitment to equality and strive to put in place policies and procedures conducive to inclusion (Bennett, 1984). Leaders in stage 5 not only understand diversity but can incorporate the differences which allows for the maximum utilization of every member of the organization. Such leaders do not look at employees in terms of their differences but instead judge them in accordance to their competence and capabilities. Such groups of leaders do not tolerate stereotypes and prejudices and, as a result, do not allow any of the employees to feel disadvantaged for being different in comparison to others (Bennett, 1984). Bennett (1984) further argued that stage 5 of the continuum presents ideal leaders and organizations; however, top leadership support in organization is needed to make diversity part of every aspect of the business. Morrison (1992) argued that in order to implement diversity into all parts of the organization, leaders must put their visible support for diversity through such actions as increasing the diversity within the top management, rewarding managers that support diversity within the company, as well as prioritizing diversity initiatives if they come into conflict with other competing priorities.

Boekhorst (2014) contended that, in accordance to the social information processing theory, leaders have the capacity to convey the importance of inclusion in the firm through

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inclusive role modeling, encouraging rewards for inclusive behavior, and fostering of learning inclusive conduct where both parties can attain their goals through inclusivity. Brimhall, Lizano, and Mor Barak (2014) conducted a longitudinal study of the effects of leader-member exchange and diversity climate on employees' intention to leave and job satisfaction, through utilizing theories of reference groups, social identity, and symbolic interactions to test their conceptual model demonstrated in Figure 7 of diversity characteristics, leader member exchange and diversity climate, perception of inclusion and the intention to stay and job satisfaction (see Figure 7).

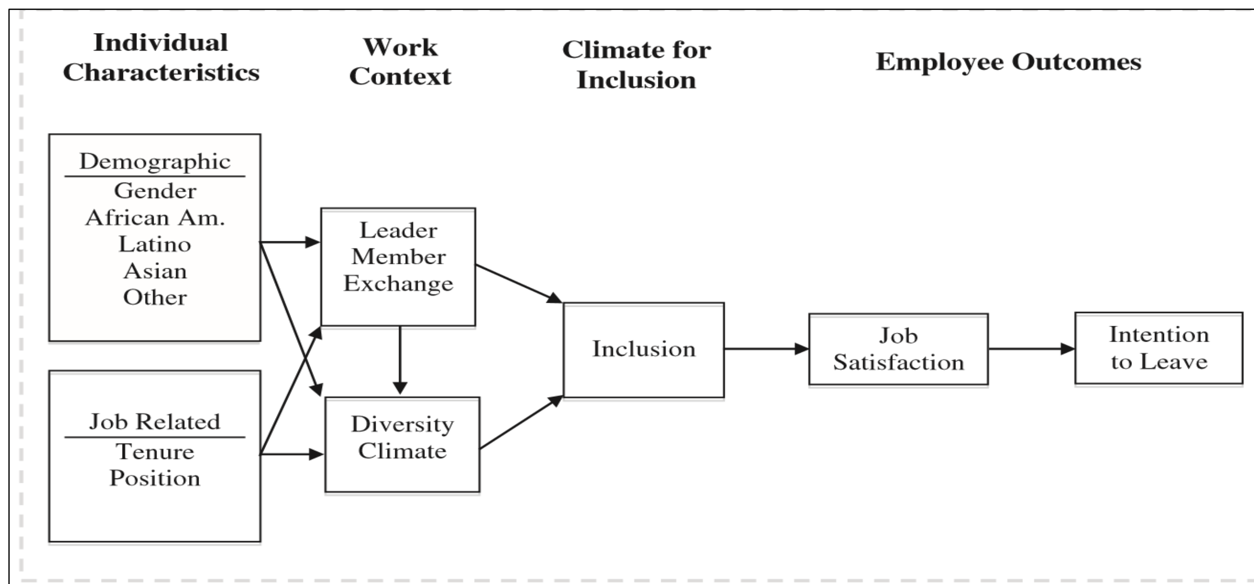

Figure 7. Leader-member and diversity climate on job satisfaction and perception of inclusion, by Brimhall, Lizano, and Mor Barak, 2014.

Their findings suggested that employees' job satisfaction grew along with the increase in the perceptions of their supervisory quality, due to increased feelings of inclusion. In addition, intention to leave was decreased through feeling of inclusion because employees who felt

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included had more job satisfaction. Barrick, Thurgood, Stephen, and Courtright (2014) integrated the resource management model with the engagement theory through the analysis of three specific organizational practices including motivating work design, CEO transformational leadership, and the human resource management practices of firms which are considered organization level resources and which could ultimately result in wholeness for all members of the organization in a sample of 83 firms (see Figure 8).

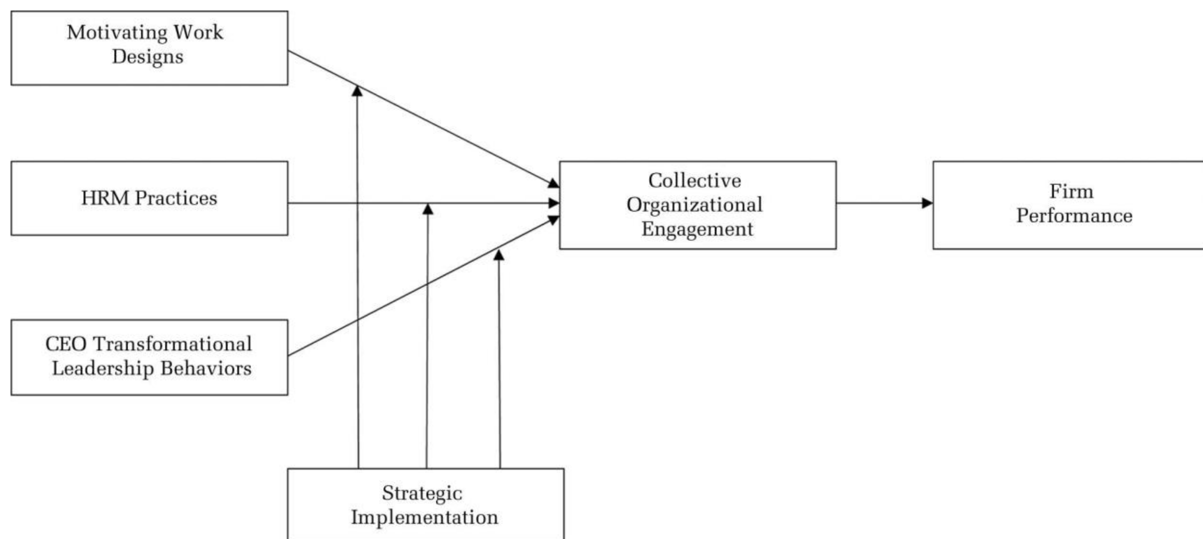

Figure 8. Engagement theory and resource management model, by Barrick, Thurgood, Stephen, and Courtright, 2014.

Their empirical findings suggested that the abovementioned collective organizational engagement mediate firm performance. Furthermore, they found that strategic implementation positively moderates the three mentioned organization resources and organizational engagement. Abdussamad, Akib, Jasruddin, and Paramata's (2015) quantitative study, using the Structural Equation Model (SEM) in their analysis of the influence of transformational leadership,

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organizational culture, and employee motivation on employee performance, found that transformational leadership, organizational culture, and employee motivation all result in a significant performance improvement in employees.

Furthermore, Liden, Wayne, Liao and Meuser's (2014) empirical investigation of the role of servant leadership on both employee and unit level performance found that servant leaders, by creating a more a more cohesive serving culture, encouraged and fostered behaviors among followers which influenced individual employee performance. They also discovered that serving culture was positively related to employee job performance and unit performance, customer service behaviors, and employee creativity; on the other hand, the serving culture negatively correlated with employee turnover intentions, both directly and through increased identification level among employees and the organization as a result of the servant leadership style.

Organizational Culture

Schein (2004) stated that organization culture is a set of shared assumptions held by a group which helps determine how they understand and respond to their environment. He further contended that this definition encompasses three characteristics of organization culture: organizational culture working at different levels, the culture being passed on to new members through the process of socialization, and organizational culture influencing the behavior at work. Therefore, every organization depending on its value system will develop its own quintessential culture. Schein (1985, 2004) further argued that organizational culture and its ability to deal with the changes in the environment distinguishes high performing organizations from low performing organizations. These distinguishing factors play an integral role in the organization. Kotter and Heskett (1992) argued that behaviors and practices which generate success and the

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values which inspire such success tend to become institutionalized within the organizations' culture. Daft (2014), building on the research of Kotter and Heskett (1992), believed that cultures play a twofold role within organizations. On the one hand, organizations' culture provides a framework under which members relate to one another. On the other hand, organizations' culture provides a mechanism to help organizations adapt to the external environment.

Culture Strength within Organizations

Arogyaswamy and Byles (1987) suggested that if there is a widespread consensus within the organization as to the specific value system and the way of doing things inside the organization, the organization culture is considered strong. If there is little agreement on what the organization value system is, then the culture is deemed weak in the organization. However, the authors cautioned that having a strong company culture alone is not sufficient since even a positive factor as such the culture's strength may contribute to the company heading in the wrong direction which can cause harm to both the organization and its members. Kotter and Heskett (1992) argued that Harvard University's research into 200 firms' corporate culture has revealed that strong company cultures will produce success only when coupled with encouraging healthy and strong means to respond and adapt to the external environment.

The High Performance Culture

Among the most important jobs of organizations' leaders is creating and sustaining a high performance culture inside the company (Chatman & Eunyoung Cha, 2003; Rosenthal & Masarech, 2003). In order to assess the relationship between company culture and performance, Kotter (2008) performed four empirical studies to study this phenomenon between the years 1987 and 1991. Based on these studies, Kotter and Heskett (1992) provided evidence that

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companies which had leaders who intentionally rendered support to cultural values outperformed companies whose leaders did not support cultural values. Furthermore, the Great Place to Work Institute's study suggests that publically traded companies which are placed on the Best Place to Work list in America outperform publically traded companies which are not on the list (see Figure 9).

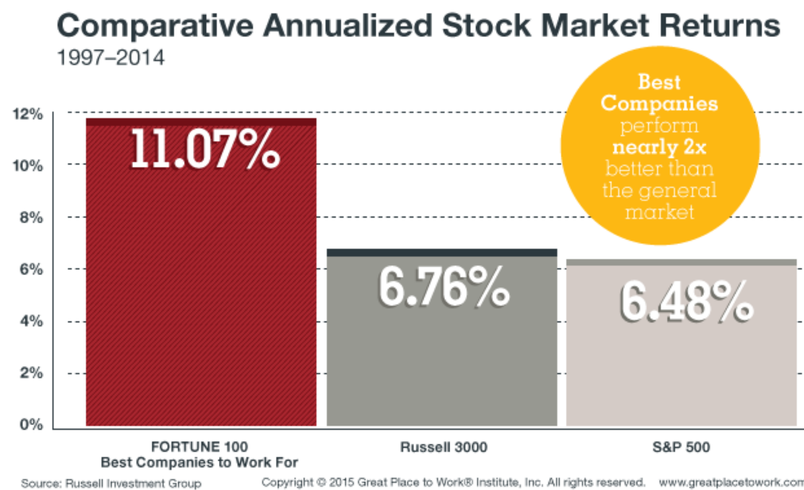

Figure 9. Comparative annual stock market return, by Great Place to Work Institute, 2015.

Wright, Muldrow, Buckley and Schay (2002) argued that the phenomenon of creating strong corporate cultures with performance in mind is not limited to the private sector alone, and even the U.S government recognizes the importance of linking culture and effectiveness. In this regard, the U.S Office of the Personnel Management created an Organizational Assessment Survey in an effort for federal agencies to measure culture and help shift agency values toward high performance. Rosenthal and Masarech (2003) divided organizational culture and performance mindedness into four categories as projected in Figure 10.

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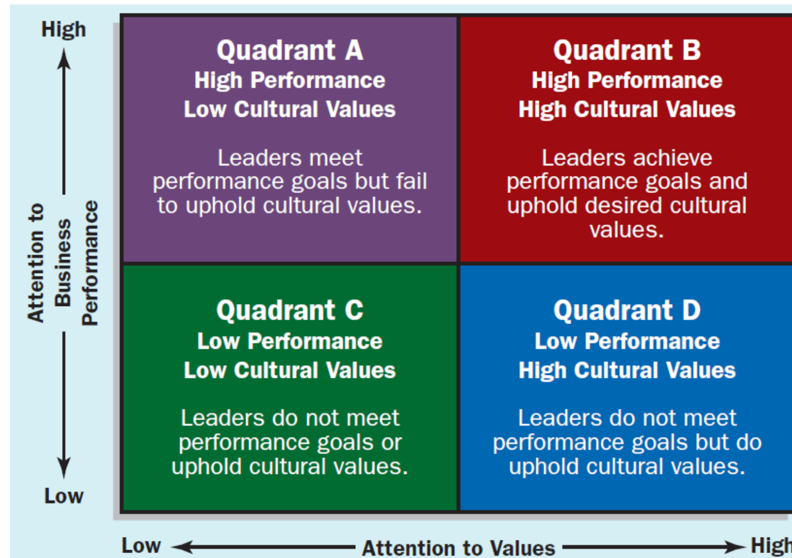

Figure 10. Combining culture and performance, by Rosenthal and Masarech, 2003; Daft, 2014.

In Quadrant A, leaders are high performance minded; however, they do not uphold organizations' values. In Quadrant B, leaders manage to both uphold organizations' values and achieve high performance goals. In Quadrant C, leaders fail to achieve organization goals as well as to uphold organization values. In Quadrant D, leaders uphold organization values but fail at achieving organization goals. As evidenced above, companies that have a long range success record in upholding company values as well as driving successful organizational performance fit into Quadrant B and are labeled under high performance culture. Such companies have garnered an adequate way of combining organization culture to achieving company goals (Rosenthal & Masarech, 2003).

The Power of Inclusive Culture

Katz and Miller (2012) contended that culture is among the most integral elements of creating organizational transformation and sustainable change. They argued that culture gives organizations leadership and helps define how the organization functions. According to these

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authors, company culture is more important than any policy or initiative in the organization, because, no matter how grand a policy or initiative may be, if it is at odds with the organization's culture, it will not be implemented successfully. Therefore, if organizations wish to utilize all their members' talents and aptitudes in achieving organization goals, they must foster and sustain a culture of inclusivity. An inclusive culture is a necessary component for organizational breakthroughs which foster higher levels of performance across organizations. Miller and Katz (2002) argued that inclusive organizations acknowledge the importance of their employees and, as a result, benefit from both employees' primary job performance as well as their ideas and innovativeness. By contrast, not inclusive organizational cultures will produce employees who do not express themselves individually or collectively for the fear repercussions and backlash from the top management. However, during such times of increased diversity in the workforce and market competition, organizations more than ever are in need of ideas to help them expand to new markets, create innovative products or simply problem solve. Miller and Katz (2002) further explained that inclusion per se is not sufficient for success; instead, fostering an inclusive organization allows for continuous improvement in organizational creativity and performance.

The Causal Performance and Change Model's (Burke & Litwin, 1992; Burke 2010) distinguishing characteristic is the bi-directionality of the variables in the model, so that the change in one causes a change in the other variables. Therefore, in the context of this study, it is pertinent to look not only at the environmental of factor of increased diversity in the workforce, but also analyze the role of organizational leaders in creating and fostering a culture conducive for all employees by providing the employees with equitable compensation programs, such as company paid health care for employees and their dependents, saving options such as 401K, and

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Pretax Stock options in case of publically traded companies. In addition to providing employees adequate continuous development opportunities through further education and training as well as offering flexible work-life programs, organizations should allow all employees to perform their best regardless of their gender and family situation, in an effort to increase employee commitment and, subsequently, reduce voluntary turnover, and utilize the talents of all employees for improving performance in the company. The following section discusses the theory and empirical evidence in regards to programs' offered to employees in developing and fostering of inclusive organizations.

General Human Resource Dimensions and Organizational Outcomes

Jiang, Lepak, Hu, and Bear (2012) conducted a Meta-Analysis study guided by the ability-motivation-opportunity model of HRM, the behavioral perspective of HRM, human capital theory, and the resource-based view of the firm in order to study the relationship of Human Resource practices of organization and organizational outcomes. The authors categorized their variables for HRM practices into three Human Resource dimensions. The first dimension is the motivation-enhancing human resource practices, which comprises categories such as employee compensation, benefits, incentives, career development, and job security. The second human resource dimension is skill enhancing human resource practices, comprising categories such as recruitment, selection, and training. The third category is the opportunity enhancing human resource practices which comprises information sharing, working teams, employee involvement, process for formal grievances, and job design. Jiang et al. (2012) further divided organizational outcomes into five different categories such as the human capital, employee motivation, voluntary turnover, operational performance, and financial performance.

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The human capital category refers to the education level of a workforce as well as the organizational human capital as measured via established scales (Subramaniam & Youndt, 2005; Youndt, Subramaniam, & Snell, 2004). Employee motivation includes such categories as organizational commitment, job satisfaction, perceived organizational support, organizational climate, and organizational citizenship behavior. Voluntary turnover refers to the percentage of employees who voluntarily left the organization. Operational performance is defined the overall operational outcomes of the organization. Financial performance comprises sales growth, market return, and return on assets. Figure 11 demonstrates the study's theoretical model.

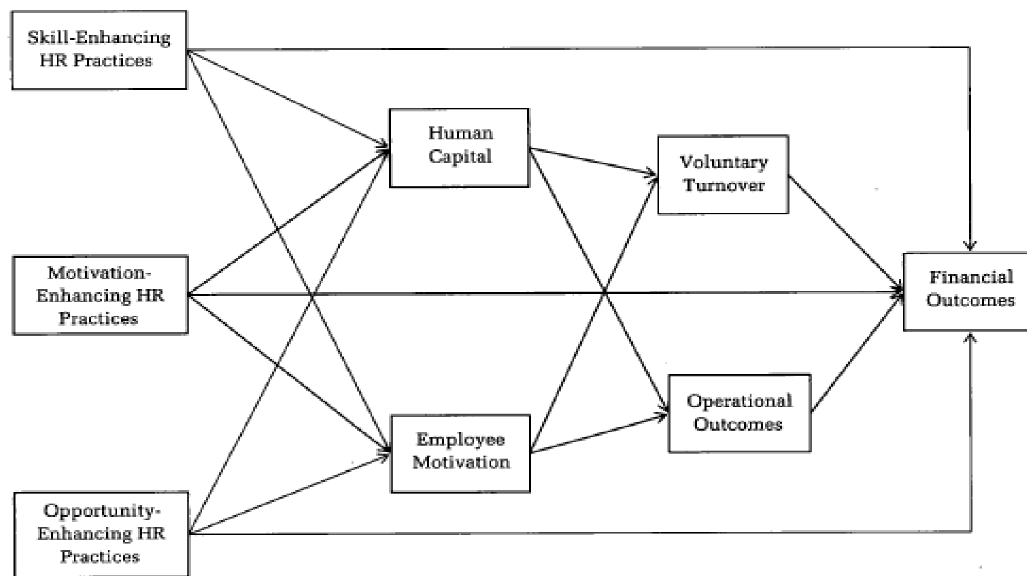

Figure 11. Theoretical model of HR dimensions on organizational outcomes, by Jiang, Lepak, Hu, and Bear, "Does Human Resource Management Influence Organization Outcomes?" *Academy of Management Journal*, 2012, p.1274.

Jiang et al. (2012) found that the three dimension of the human resource management of motivation-enhancing human resource practices, skill-enhancing human resource practices, as

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well as the opportunity-enhancing human resource management had a discrepant relationship with human capital and employee motivation, which were consequently related to operational outcome of the firm and voluntary turnover, which were ultimately associated with financial outcomes. Furthermore, they found a direct correlation between motivation-enhancing human resource practices and skill-enhancing human resource practices, and financial outcome of the firm.

Work-Life Balance Programs

Different actions taken by organizations to create and maintain an inclusive work environment include providing employees' programs which allow them to balance between their work and life. Many organizations recognize the fact that all employees, parents and non-parents alike, face personal or familial issues which ultimately can affect their job performance. Therefore, in order to overcome such problems as employee absenteeism and reduced performance, organizations offer employees various work-life balancing options including on-site childcare, flexible working conditions (compressed week, telecommunication, or job sharing) and various leave options (Moss, Bardoel, & Tharenou, 1998; Sammer, 2007).

Cascio and Boudreau (2010) argued that the reasoning behind organizations' choosing whether or not to offer work-life programs is complex. However, they contended that choosing not to offer such programs could result in negative outcomes financially. They further made the case for the importance of work-life programs through depicting the logic of offering such programs and their potential impact on companies' employee turnover and financial performance (see Figure 12).

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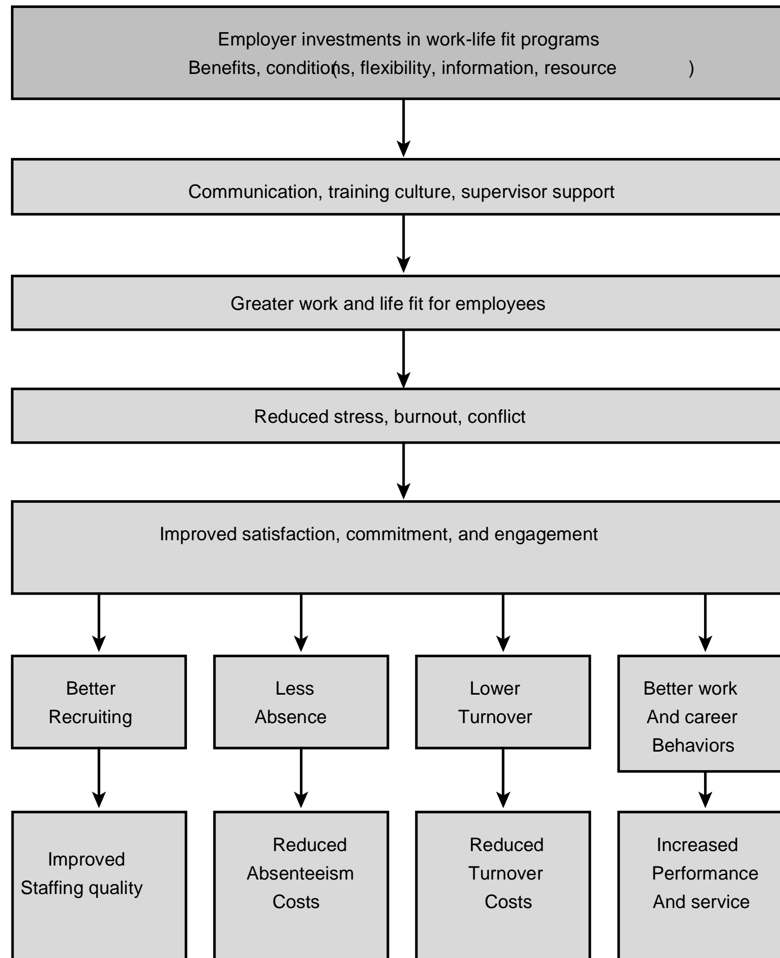

Figure 12. Logic of Work-Life Fit, by Cascio and Boudreau, *Investing in People*, 2010, p. 173)

Cascio et al. (2010) contended that investment in work-life programs and supervisory support within the firm will result in a greater Work-life balance for employees, which will in turn translate to reduced stress and burnout, and subsequently improve employee satisfaction, commitment and engagement (see Figure 12 above). On the other hand, the positive outcome of such programs for organizations can occur in the form of improved recruitment efforts, less problems with absenteeism, lower turnover, and better work behaviors within the firm, which

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will then lead to reduced costs associated with staff quality, voluntary turnover, and absenteeism, and increase in the firm's performance.

Effects of Work-Life Problems on Job Performance

Balancing between job demands and non-work related responsibilities may lead employees to suffer from a condition known as burnout. Employees' who suffer from this condition will have a higher tendency to miss work days, show up to work late, or leave early, and, while at work, will do the very minimum possible compared to non-stressed employees (Maslach, 2005, 2008). The CCH Unscheduled Absence Survey (2007) found that employees who missed work due to personal illness comprised only 34% of cases of absenteeism while 65% of employee absences were due to other reasons, such as family related issues, stress, and personal needs. Maslach (2008) further argued that employees suffering from the burnout symptoms are more likely to quit the company for less stressful employment options. Therefore, for companies interested in retaining their human capital assets, work-life programs may offer improved retention and performance options (Cascio et al., 2010). However, prior to explaining the benefits of work-life programs for the organization, it is pertinent to analyze the cost of absenteeism for organizations and assess whether such costs could be offset by offering work-life balancing programs. As indicated by the Causal Performance and Change Model (Burke & Litwin, 1992; Burke, 2010), the mission and strategy variable in the model is yet another important variable in achieving transformational change within organizations. Organizations' mission and strategy, while they are affected by other variables such as leadership and culture, also influence all other variables such as performance. The LAMP Framework is a quantifiable method to help organization leaders in selecting effective and strategically relevant human

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resource initiatives for organization (Cascio et al., 2010). The LAMP acronym stands for logic, analytics, measures and process (Cascio et al., 2010). According to the authors, LAMP provides pivotal components for measurement which are necessary for driving strategic change and organization effectiveness. Figure 13 is demonstrative of the LAMP model.

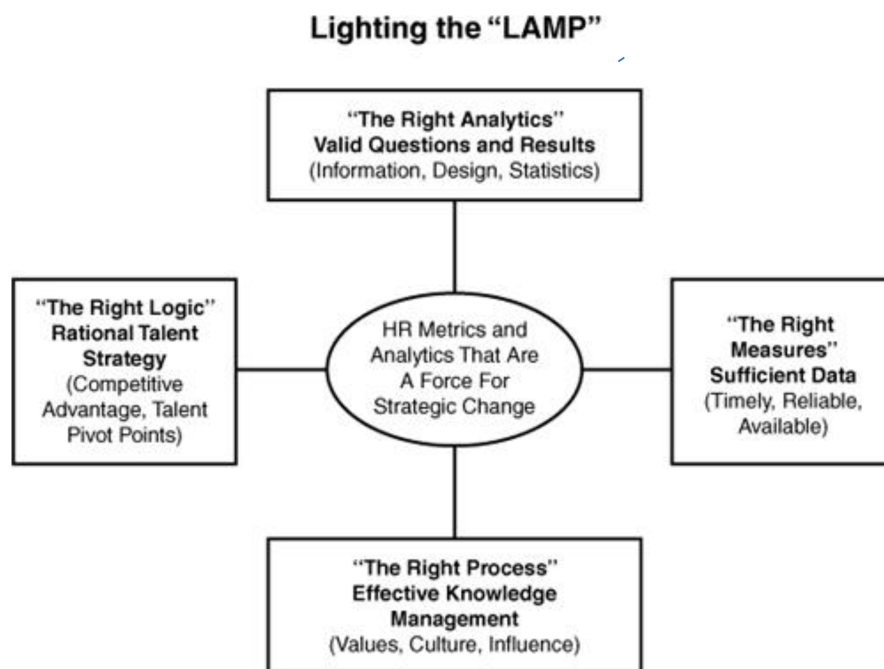

Figure 13. The LAMP Model, by Cascio and Boudreau, 2010, p.10.

Cascio et al. (2010) argue that the model connects the human resource practices of firms to managements' strategies and practices. These strategies and practices in turn affect employees' engagement level and attitudes, and ultimately influence employee turnover. Employee turnover has an impact customer experiences and, subsequently, also on company sales revenue and profits. However, the authors caution that all human resource measurements proposed by HR professionals in firms must be related to organizations' goals, and be understandable in a manner which helps leaders make better decisions for the company.

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Cascio et al. (2010) explained that human resource measurements are among the most important elements for organizational initiatives. Measurements such as the ability to calculate the cost for individual, team or unit turnover, help organization leaders decide which human resource initiatives to implement and foster. However, the authors argue that such measurement should be used in a context of the company's strategic objectives in order to bear fruit, and the measurements as such without the right context would not help precision decision making in firms.

Cascio and Boudreau (2010) explained the third component as the analytic portion of the model. The authors claimed that the analytic part of the model helps draw the right conclusions from the measurements. Furthermore, analytics connect the science of management to logic of human resource questions at task.

The fourth component of the LAMP framework is process (Cascio et al., 2010). Logic, measurement and analytics affect decisions made in the organization. However, such decisions are not made in a vacuum; rather, they occur in multifaceted organizations with different social structures, and cultural norms. Therefore, measurement systems must fall under the umbrella of an effective change management process which takes into consideration principles of learning and knowledge transfer in implementing proposed measurements (Cascio et al., 2010).

Work-life, Employee Benefits, and Further Development Programs and Company Performance

The section below is an overview of literature on work-life programs, health initiatives sponsored by organizations, as well as training and development measures and their impact on organizational performance and employee turnover.

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Childcare

Gurschiek (2007) contended that an estimated $4 billion is spent annually on employee absenteeism in the United States due to childcare. The author further claimed that several studies have been conducted to examine the impact of company sponsored childcare programs on employee absenteeism, retention and return on Investment. Citigroup carried out one of them. City group participates in 12 childcare sites, which are managed by Bright Horizons Family Solutions. Citigroup employees are able to take advantage of these centers, as well as some other back up centers, which Citigroup participates in at half the cost. To this end, the Citygroup has conducted two follow up studies in 2003 and 2005 to analyze the impact of offering access to childcare centers on participating employees' rate of absenteeism and retentions and to assess the ROI for offering such program (Gurschiek, 2007). The studies yielded the following results:

The 2003 study results demonstrated a 66% reduction in turnover among the childcare center users in comparison to the non-child-care center users. The study also revealed a 98% retention rate for the top performers within the organization that used the child-care centers in comparison to non-child-care center users. Furthermore, the study indicated that 10% more of organization's top performers were among the child-care center users, compared to the non-child-care users (Gurschiek, 2007).

Conlin, Merritt, and Himelstein (2002) argued that the decision to offer childcare assistance to employees, regardless of the nature of the business, can result in better retention of employees and high performers, reduce absenteeism, help the advancement of women within the organization, and help the company become recognized as an employer of choice.

O'Connell (2005) contended that Chase Manhattan Bank conducted a similar study to

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assess the ROI for its offered back-up childcare which they offered to employees in case of emergencies or when regular child-care was not available. Their analysis found that child-care breakdowns caused 6,900 days of missed workdays. They further found that, due to the existence of the back-up childcare center, those lost days were not incurred. Furthermore, while the cost of operating the backup child-care centers amounted to $1,131,170, the gross savings for the company, calculated by multiplying the number of missed days due to child-care breakdown by the average salary of the employee in question, the company's gross savings came up to $2,393,015. Therefore, the ROI for running a backup childcare center yielded $1,261,845 net savings for the company, which translated to an ROI of over 110 percent.

Shellenbarger (2003) discussed another childcare program analysis, at the Canadian financial services CIBC. CIBC has expanded its on-site childcare program in 14 Canadian cities. These on-site facilities can be utilized by employees free of charge for up to 20 days in one year. CIBC's ROI analysis of its on-site childcare program has determined that the program has saved the company 6,800 employee missed days while benefiting the company $1.6 million in savings as a result of a decrease in missed days.

Flexible Work Arrangements

Flexible work arrangements are offered in different ways. Some companies provide an array of programs to keep the employees' schedules flexible, while others offer few programs. Galinsky, Aumann, and Bond (2008) listed six broad categories of flexible schedules: Flexibility in time and place of work, employee choice in time management, reduced time (shortened week), caregiving leave, time off, and culture of flexibility within the organization. Galinsky et al. (2008) contended that research into employees from low, medium, and high income families

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has indicated that 87% of all surveyed employees said they preferred increased flexibility at work. However, flexibility is at times viewed as providing exceptions to employees who partake in the flexible programs, and such perceptions of flexible work schedules create obstacles and skepticism for employees who are unsure of partaking in the programs for fear of negative career consequences. Furthermore, managers who view flexible work schedules solely as exceptional accommodations fail to realize the full benefits that can come about as a result of offering such programs at the organizational level (Corporate Voices for Working Families, 2005).

A recent study of several American firms to make a case for financial and non-financial benefits of offering employees flexible work arrangements (Cascio et al. 2010)

IBM surveyed 42,000 employees in 79 countries to assess the impact of offering flexible work arrangements on IBM employees. The survey results indicated that Work-life balance programs, of which flexibility in schedule was a part, was the second most cited reason for leaving IBM, after compensation, for those employees which did not have a high work flexibility in their jobs. However, employees who had a higher score for work flexibility reported much more satisfaction with their jobs, and were most likely to indicate they did not plan on leaving IBM (Corporate Voices for Working Families, 2005; Cascio et al., 2010).

Another study, conducted at Deloitte and Touche, asked employees whether they agreed with the following sentence: “My manager grants me enough flexibility to meet my personal/family responsibilities.” The results indicated that those employees who perceived to have more access to flexibility scored 32 percent higher in organizational commitment compared to those who did not think they had enough flexibility. In a similar study conducted in Astra Zeneca, employees who felt they had access to flexible work arrangements scored 28% higher in

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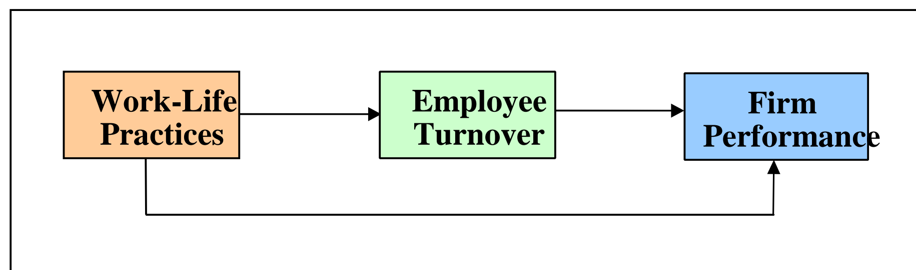
organizational commitment in comparison to those who did not think they had access to flexible work arrangements (Cascio et al., 2010; Corporate Voices for Working Families, 2005).

Work Life Policies and Firm Performance

The Ministry of Manpower in Singapore undertook a large scale empirical study based on the data from surveys administered by the Ministry of Manpower from 1996-2003. The study's aim was to analyze the indirect impact of work-life practices on employee turnover and the direct impact of the work-life practices on firms' performance across 2570 firms in Singapore (Soon, Quazi, Tay, & Kelly, 2005). The study defined firm performance in the following terms: financial return on assets, employee productivity logarithm determining sales per employee, and investor return (one year compound return). Figure 14 served as the guiding model for the study.



The Figure 14. The model for the analysis of the relationship between work-life practices, employee turnover, and firm performance, by Soon et al., 2005, *Technical Report*, Nanyan Technological University, Singapore.

The study's findings, based on 1178 observations from the year 2003, and controlling for the resource benefits, found that firms which offered more work-life benefits to management teams had lower management voluntary turnover. Furthermore, firms which experienced lower management turnover generated a higher return on assets. Therefore, the indirect impact of

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work-life benefits on return on assets segment of performance is positive. The study further revealed that the firms with larger number of work-life programs, the firms with generous end of the year vacation time, as well as the firms with shorter workweeks, experienced lower voluntary turnover. However, the study found a direct negative relationship between the number of work-life benefits for management and return on assets, which suggests that implementation of work-life programs could be costly for firms (Soon et al., 2005).

In another study, researchers studied the performance of "100 Best Companies for Working Mothers" to assess the financial performance of these firms in comparison to the benchmark indexes of the performance of U.S equities, the Russell 3000, S & P 500, by analyzing data from 1995-2002. The study defined the performance criteria as revenue productivity (sales per employee) and return on assets (ROA). The study did not find any evidence that "100 Best Companies for Working Mothers" consistently performed better in terms of employee productivity than their counterpart companies on the S & P 500 list. However, the companies on the "100 Best Companies for Working Mothers'" list did outperform their counter companies on their total return on common stocks in relation to the market benchmarks in all the years included in the study (Cascio & Young, 2005).

Employee Benefits

As noted by Inc. Magazine (2014), the list of top ten companies for employee financial security includes companies which not only provide their employees with viable retirement options but create a culture within the company which educates their workforce in regards to their financial options, and provides them company paid or company subsidized healthcare for the employees and their dependents. Inc. (2014) pointed out that the selected companies are from

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different industries and vary greatly in organizational size. However, what they have in common is that they all provide their employees 401K options, pretax savings account, and, when available, stock options for employees. All of the selected companies provide one-on-one counseling for employees in order to educate them in regards to available financial options. Furthermore, these companies are aware of employees' health needs and, in conjunction with employee financial benefits, they offer employees programs that help them achieve health and wellness. Overall, the selected companies provide a culture in which the need for the employees' financial security, health, and well-being is recognized, and employees are given flexible options to become more active in their own financial and heath management. As suggested by Inc. (2014), the selected companies' management realizes the importance of financial security and health options for employees in terms of retention, commitment, and productivity. Furthermore, Inc. (2014) stated that the selected companies report a lower voluntary turnover rate in comparison to the National Average, and in many cases lower voluntary turnover in comparison to other firms in the given industry for the selected companies.

Bulletin to Management (2007) explained that Health insurance benefits rank among the highest factors which drive employees in choosing their employer. Furthermore, according to the article, as many as 75% of surveyed employees, ranked health insurance as the benefit they considered most important. Dessler (2013) argued that most employers who offer health insurance coverage for basic hospitalization, medical and surgical insurance to eligible employees' at a group rate. In addition, many such plans cover basic doctors' visits, and dental and vision visits. However, this coverage is not cost free for employers, and many employers try very hard to control their healthcare costs (Dessler, 2013). In order to combat the rising cost of

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healthcare, employers have adopted various health promotion trends within companies. Such programs include communication and empowerment, wellness program initiatives, and claim audits (Dessler, 2013).

Sherman (2015), however, suggested that one way organizations can think about health care and employee health is to shift their focus from looking at providing healthcare in light of cost to value. Sherman (2015) argued that current literature on healthcare provides insights as to the increased productivity of a healthy workforce, linking employee health to performance. Sherman (2015) further contended that employers can integrate their health care benefits for employees and firm productivity by using a model which takes into consideration the corporate culture, employee well-being initiatives, and employee health engagement. In other words, organizations should broaden their focus in regards to employee health, assess their organizations' culture and structure in regards to employee health initiatives and health related management, level of work pressure and demand from employees level of support for fostering a culture of well-being within organizations, as well as involving the employees' in the process of managing their health. In addition, companies must also integrate within their model the amount of health related benefits to employees, such as health, disability, and workers' compensation. Such important factors play a crucial role in employees' well-being which will then be linked to employee performance (Sherman, 2015).

Savings and Retirement Benefits

In order to increase employee motivation and commitment to the organization and performance, many companies provide a series of benefits packages to employees such as health insurance, pre-tax savings account, or stock options (Dessler, 2013; Dunford, Boudreau &

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Boswell, 2005; Sherman, 2015).

Another form of benefit incentive is deferred profit sharing (Dessler, 2013). Martocchio (1998) defined deferred profit sharing as money put away in a trust for the employee, either based on the employee's salary, or her level of contribution to the company's profits. Kim (1998) suggested that empirical evidence shows that profit-sharing does boost productivity; however, the impact on company's profits from profit-sharing is insignificant due to the cost of the payouts. Peterson and Luthans (2006), however, suggested, based on their quasi-experimental research, that both financial and non-financial incentives had a significant impact on unit profits, customer service, and employee turnover.

One of the most popular forms of employee benefit is 401K, which is based on Internal Revenue Code. In this form of benefit, employees contribute a part of their paycheck to a fund. This amount then is matched either completely or partially by the employer to be invested in various stock or bond funds. 401Ks are deducted prior to tax reduction and are not subject to taxation until taken out of the fund (Dessler, 2013; Marquez, 2008).

Employee Training and Development

Many organizations across the globe, particularly in the United States, Europe, and Asia spend large sums of money on employee training and development. The need for increased training is in part due to but not limited to the following factors: Hyper competition, changes to the workforce demographics, changes in technology, team-based working, organizations' need to attract and retain highly skilled talents, and, finally, organizations' expansion across geographical boundaries and customer oriented strategies which have compelled organizations to help keep their workforce abreast of environmental trends in order to foster a productive and

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competent workforce (Cascio, 1998; Noe, 2002). However, regardless of the high expenditure in training and development initiatives, few studies focus on the efficacy of such programs both social and financially (Mattioli, 2009). Avolio, Sosik, Jung, and Berson (2003) suggested that only about 10% of firms which offered leadership development to the employees conducted a post evaluation to see actual behavior changes as a result of the training. They further contended that most organizations consider the satisfaction of the trainees as an indication of the success of the training program. O'Leonard (2008) asserted that a recent survey results indicated that the impact of training is only important to 23% of the firms that offer training and consider it a priority while other firms do not consider the impact of measurement for training programs as a priority. However, regardless of the lack of interest on the part of organizations in analyzing the impact of their training and development initiatives, many studies have pointed out the positive impact of well-designed, appropriate, properly delivered and implemented programs, in such areas as trainee relations, learning, change of behavior, and results (Arthur, Bennett, Edens & Bell, 2003; Burke, & Day, 1986; Guzzo, Jette, & Katzell, 1985; Kirkpatrick, 2006).

Training and Development and Firm Performance

Cascio and Aguinis (2011) proposed a model which demonstrates the economic consequences of training and development Programs. The model is a linear demonstration of how training and development help improve organizational productivity and retention. Cascio and Aguinis (2011) argued that careful design of training programs plays an integral role in the programs' success. However, they caution that careful designing of the programs per se is not sufficient to ensure training success, and factors such as trainee readiness, selection, and organizations' culture that allow the knowledge acquired from training to transfer to employees'

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jobs play equally important roles in allowing training and development to improve organizations' performance (Cascio &Aguinis, 2011; Cascio & Boudreau, 2010). Figure 15 provides a demonstration of training effect on organization productivity and employee turnover.

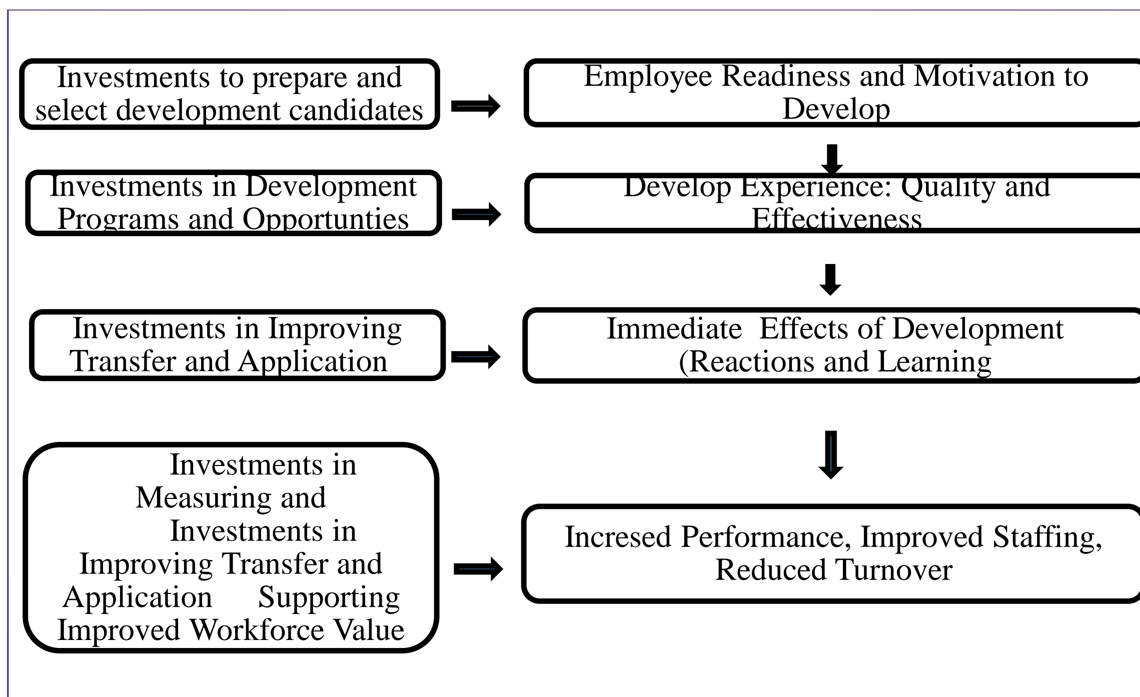

Figure 15. The Economic Implication of Training and Development Programs, by Cascio and Boudreau, 2010; Cascio and Aguinis, 2011.

Further, I will address various empirical studies which consider the effect of training and development on organizations' performance.

Bassi and McMurrer's (2004) study was focused on the performance of portfolios in firms that spend heavily on employee training and development, in comparison to the other firms in the industry. Bassi and McMurrer's (2004) findings revealed that in a period of 25 months the portfolio outperformed the S&P 500 index by 4.6 percentage points. In a similar study, Bassi and

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McMurrer (2009) revealed that training expenditure played an important role in the stock prices of 30 banks under study, even amid economic turbulence.

Neirotti and Paolucci (2013) empirically analyzed the relationship of training and firm innovation through the framework of the resource-based view of the firm and organizational learning theories. Their findings suggested that training plays a crucial role in allowing for the acquisition of knowledge and sharing of knowledge within organizations. Therefore, training in addition to high performance human resource management practices makes the firms more likely to adopt new technologies or make changes at the organization level to develop new competencies within the company. Therefore, training helps firms to assimilate organizational changes and, in the process, allows for more active involvement of employees. However, firms' preference of developing new internal competencies does not impact the intensity of the training programs, suggesting that the learning process within organizations does not necessarily start when employees are enrolled in formalized training and development programs.

Ji, Huang, Liu, Zhu, and Cai (2012) conducted an empirical study of manufacturing firms in China to determine the relationship of training on firms' performance in the area of sustainable development. The results of the study revealed that employee training did influence firms' performance in sustainable development. In addition, given a stable attitude of top management teams, employee training can be positively associated with attitudes towards the environment and the firms' performance in sustainable development.

Organization Performance

Armstrong and Baron (2000) defined performance as an integrated, strategic approach which creates sustained success for organizations through the development of employee

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capabilities and improvement of employee performance. Rummler, Ramias, and Rummler (2010) suggested that if work is conducted in accordance with the organizations' vision and strategic objectives, the outcome will yield positive results. This outcome could take many forms such as financial performance of the firm, employee productivity, or the market's response to a particular product. In addition, Martin (2008) stated that the first step in managing a process is to define what must be included in the process. The defining process includes identifying what performance measures will be included, outlining the scope of the process, and creating flowcharts to help visualize the included steps. In the same line of thought, the current study will analyze the revenue process and voluntary turnover as its performance benchmarks. Figure 16 is this study's flowchart to help visualize the direction of the study.

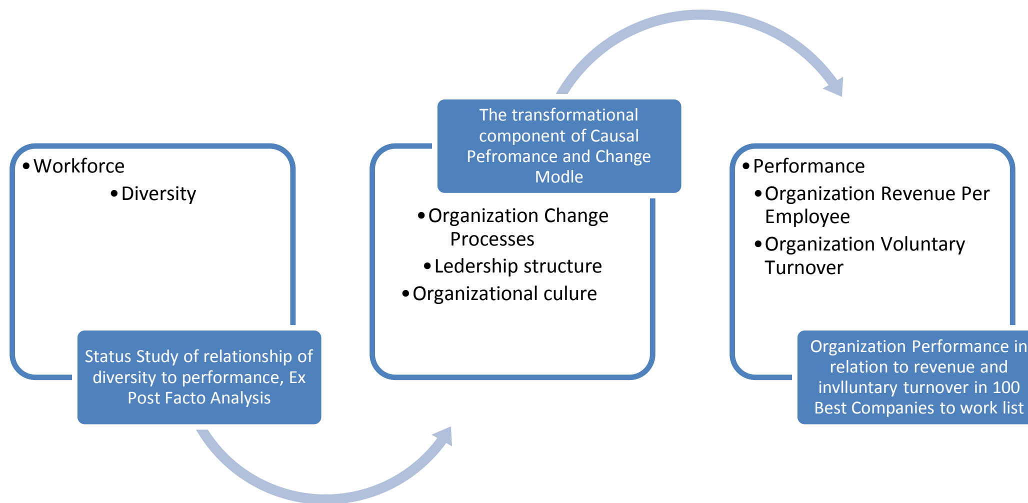

Figure 16. Current study's flow chart.

Revenue as a Measure of Performance

Wagenhofer (2014) described revenue as a very important measure of organizations' financial performance. He argued that revenue from customer contracts provides a reliable

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consequence based on companies' value-generating activities. Therefore, revenue serves as a helpful benchmark in assessing organizations' actual performance, as it provides information with respect to the companies' gross earnings based on their business activities, illustrating how the companies have performed in a given period. Consequently, many organizations report their revenue as the primary summary performance measure in their financial reports' discussion section.

Graham, Harvey, and Rajgopal (2005) in their survey of 400 chief financial officers have revealed that, when preparing reports for external sources, these officers rank revenue as the second most important performance measure after earnings from cash flow. Wagenhofer (2014) argued that revenue in addition to other variables, such as the number of employees, market capitalization and total assets, is indicative of the size of the company, and changes in revenue over a period of time are demonstrative of organizations' growth or decline. Chandra and Ro (2008) claimed that using revenue as measurement is more advantageous than earnings, as revenue presents a more persistent measure than earnings; in addition, revenue reflects changes in performance more directly. Srivastava (2011) suggested that revenue has become important in forecasting future performance as it provides information which supplement earnings information. Huang, Marquardt, and Zhang (2013) defined revenue-based organization targets as revenue growth, regardless of profits. They also explained that various companies base their performance targets and management compensations on revenue performance primarily on revenue performance.

Wagenhofer (2014) argued that revenue not only serves as a useful measurement system for analysts, it also serves as a measure of company performance and helps with the evaluation of

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company management. However, since this paper's aim is to analyze the relationship of diversity on firm performance within the framework of Causal Performance and Change model, in an ex post facto analysis of the 100 Best Companies to Work list, the measure of revenue per employee, which is calculated through organizations' revenue divided by the number of employees in organizations, has been selected in addition to the organizations' annual revenue as an appropriate measure of performance as it represents sales which are an output of the employees and thus measures employee productivity (Cascio et al., 2005).

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CHAPTER 3

METHODOLOGY

This study's aim is to analyze the relationship between organizational diversity and organizational performance in an ex post facto analysis of the 100 Best Companies to Work list in the United States for the year 2014. The study is guided by Burke and Litwin's (1992) Causal Organizational Performance and Change Model. The data for this study has been collected from the Great Place to Work Institute (published on its website). The collected data is primary data that the applicant companies provide to the Great Place to Work Institute as part of their application process for being considered among the 100 Best Companies to Work list in the United States. The applicant companies provide such information as the company's demographic breakdown in terms of the percentages of male and female employees, the percentages of minority and non-minority employees, the percentage of female and male senior managers, the percentage of employee age breakdown, and the percentage of employee tenure with the company. In addition, they also provide information on organizations' work-life practices in terms of whether or not the organization offers on-site childcare, compressed work-week, job sharing, and flexible schedule, the amount of training and development provided to full-time and part-time employees, whether the company provides college tuition reimbursement to employees, company sponsored health insurance coverage for employees and their dependents,

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savings options such as 401K , or pretax savings, and information in regards to the companies' annual revenue and voluntary turnover. The above-mentioned data is provided by the companies to the Great Place to Work Institute, and is not the result of any study conducted by the Great Place to Work Institute. The researcher has chosen the Great Place to Work Institute, which contributes to the annual 100 Best Companies' to Work list on *Fortune Magazine* for the paper's analysis, because the companies on the 100 Best Places to Work list have already been identified as possessing a great work culture, based on anonymous surveys filled out by company employees and cultural audits completed by company managers, The Great Place to Work Institute annually conducts an anonymous survey and cultural audit from the applicant companies' employees and managers about workplace practices and policies in addition to questions regarding employee demographics, and company culture. The companies are then categorized and ranked on the basis of the score they receive from the employee surveys and the score from the company's cultural audit. The Great Place to Work Institute operates in 45 countries and surveys over 10 million employees annually. However, this study will not use any of the data obtained from the survey findings reported by the Great Place to Work Institute in its analysis of the relationship between diversity and organizational performance; is based solely on the primary data provided to the Great Place to Work Institute by the applicant companies. Furthermore, since the study has focused only on the data for companies that have made the list in 2014, the results may be limited to this single year, with limited room for generalizability.

Design of the Study

This study has selected an ex-post facto design in determining the relationship between organizational diversity and performance, due to availability of related data from the Great Place

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to Work Institute that corresponded to organizational diversity in terms of the percentage of executive female, female and minority employees, in addition, to data about companies' cultural components such as benefits and compensation, work-life balance, and training and development opportunities for employees, as well as the organizations' percentage of voluntary turnover and annual revenue. Furthermore, the study limited the scope of the analyses to ex post facto analyses due to the difficulty in obtaining diversity related data from organizations.

Population and Sample

The population for this study comprises the 100 firms that were selected as 100 best companies to work for in 2014 by the Great Place to Work Institute. It is noteworthy, however, that thousands of companies worldwide apply to be considered by the Great Place to Work Institute.

Out of the 100 companies listed on the Best Companies to work list, only 92 companies have been selected for analysis in this study, as the other 8 companies had missing self-reported data; therefore, they have been eliminated from the study for the purpose of consistency and accuracy of analysis.

Data Collection

The Best Places to Work database includes organizational data on diversity make-up, compensation, selected work-place policies and benefits, training and development measures, number of employees in each company, annual voluntary turnover, and annual revenue. Table 3 provides the list of variables used in this study.

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Table 3.
List of Variables

Independent Variables	Dependent Variables
FEORP percentages of workforce breakdown in the United States in terms of women and minorities	Organizations' Annual Revenue
Percentage of Female Executives	Organizations' Annual Revenue Per Employee
Percentage of Female Employees	Organizations' Annual Revenue Percentage of Voluntary Turnover
Percentage of Minority Employees (Blacks, Hispanic, Asian, and others).	FEORP, workforce demographic breakdown in the United States, and the demographic breakdown in the 100 Best Companies to Work, in the United States
Work-Life Balance Programs score	
Compensation Programs score	
Training and Development Programs score	

The first research question was addressed directly using the provided demographic data and the Federal Equal Opportunity Recruitment Program (FEORP) database. Research questions two and three were addressed directly through the demographic data as well as data regarding the organizations' annual revenue and annual revenue per employee and voluntary turnover. Research questions two, three, and four required the measurement of revenue and revenue per employee. The revenue per employee were calculated by dividing an organization's annual revenue by its number of employees. Research questions four and five will require the development of three scores for each company (i.e., work-life balance programs, benefits & compensation programs, and training and development programs) and were addressed based on

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the abovementioned scores and data related to organizations' annual revenue, revenue per employee, and voluntary turnover.

The Work-life balance programs score was calculated by allocating one point for each of the following categories: offering job sharing, offering on-site childcare, offering telecommuting option, and offering compressed workweek option. The available data on the extent of Work-life balance programs offered in each company on 100 Best Companies to work list was analyzed, and each company was given a score according to the extent of the company's Work-life balance programs. The companies' scores ranged from 0-4, with zero representing companies that do not offer any of the abovementioned Work-life balance programs and four representing companies which offer all four programs.

The Employee Benefits and compensation programs score was calculated by allocating two points for offering 100% company-paid health coverage to employees, two points for offering 100% company-paid health coverage to dependents, one point for offering health coverage to employees, one point for offering health coverage to dependents, one point for offering 401K option to employees, one point for offering pre-tax savings for employees, and one point for offering deferred profit-sharing options to employees. The available data on Employee Compensation programs offered in each company on the 100 Best Companies to Work list was analyzed, and each company was given a score based on the extent of its Employee Compensation programs. The companies' scores ranged from 0-7, with zero representing companies that do not offer any of the mentioned compensation programs, and seven representing companies that offer all of the mentioned employee compensation program

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The Employee Development programs score was calculated by allocating two points for offering college tuition reimbursement, two points for offering training and development opportunities to full-time employees, and one point for offering training and development opportunities to part-time employees. The available data on the extent of training and development programs offered in each company on 100 Best Companies to work list was analyzed, and each company will be given a score according to the extent of its training and development activities. The companies' score ranged from 0-5, with zero representing companies which offer none of the above programs for employee training and development, and five representing companies which offer all the mentioned programs.

Data Analysis

In order to statistically analyze this study's research questions, various types of analyses such as the mean test, simple regression analysis and multiple regression analysis were performed. However, prior to conducting simple and multiple regression analyses, and in order to determine the study's variables' normal distribution, Jarque-Bera test was performed on all the variables used in the study (Greene, 2012). Jarque-Bera is a statistical test that assesses whether the data series are normally distributed. This test statistically measures the difference of the skewness and kurtosis of the series with those from normal distributions. The formula used to compute data normality is: Jarque-Bera = $\frac{N}{6}\left(S^2 + \frac{(K-3)^2}{4}\right)$, where N represents the number of observations in the study, and S represents the skewness and kurtosis of the series compared to those from the normal distributions. Therefore in Jarque-Bera test the statistic is distributed as chi-square with 2 degrees of freedom, where the reported probability of 0, or other small numbers suggest a non-normal data distribution, as it eliminates the probability of rejecting the

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null hypothesis that the data is not normally distributed. However, as explained by Greene (2012) such elements such as outliers and a small sample size may contribute to data's non-normal distribution. However, as posited by Gauss-Markov theorem, that regression analysis does not need to assume normal distribution and that least squares regression can estimate relationships between variables regardless of data distribution (Greene, 2012).

Question 1: Are the employee demographics in the 100 Best Places to Work list on average similar to the general workforce demographics in the United States based on the Federal Equal Opportunity Recruitment Program (FEORP) Employee Breakdown for possible percentage of female and minority employees?

The first question was answered to by running a mean test, which compared the mean of the diversity benchmark provided by Equal Opportunity Commission to the mean of diversity in the 100 Best Places to Work list in a visual comparison of both data sets.

Question 2: Is there a statistically significant relationship between organizations' percentage of female executives, female employees, minority employees, and organizations' annual revenue?

The second question required both simple and multiple regression analyses to find a correlation coefficient between the independent and dependent variables and assess whether the relation among them is significant. The purpose of regression analysis is to help predict a dependent variable, based on multiple independent variables (Hayden, 2008). Question 2 was analyzed through 2 sets of multiple regression analyses, as the 92 companies in the data range are comprised of different size companies. Therefore, one multiple regression analysis was conducted without controlling for the company size, and the second multiple regression analysis

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controlled for the company size as to determine any variation in the correlation which may be due to company size.

In case of question 2, regression analysis helped determine whether there is a statistically significant relationship between percentages of female executives, female employees, minority employees, and companies' annual revenue.

Question 3: Is there a statistically significant relationship between organizations' percentage of female executives, female employees, minority employees, and organizations' annual revenue?

The third question also necessitated the use of simple and multiple regression analyses to find a correlation coefficient between the independent and dependent variables and assess whether the relation among them is significant. The purpose of regression analysis is to help predict a dependent variable, based on multiple independent variables (Hayden, 2008).

In case of question 3, regression analysis helped determine whether there is a statistically significant relationship between percentages of female executives, female employees, minority employees, and companies' annual revenue per employee.

Question 4: Is there a statistically significant relationship between organizations' work-life balance programs score (telecommuting, work sharing, compressed workweek, and onsite childcare), benefits and compensation programs score (percentages of company-paid health coverage for employee, percentage of company-paid health coverage for dependents, 401K, pre-tax savings account, and deferred profit sharing plan), employee training and development score (college tuition reimbursement, average annual training for fulltime

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employees, average annual training for part-time employees), and organizations' annual revenue?

Question number 4 also required multiple regression, where the analysis helped determine whether the relationship between organizations' family-friendly program scores, compensation program scores, employee training and development scores and organizations' annual revenue is significant. As was the case in research question 2, for research question 4, two sets of multiple regression analyses were performed to account for any variation in correlation results due to the company size.

Question 5:Is there a statistically significant relationship between organizations' work-life balance score (telecommuting, work sharing, compressed workweek, and onsite childcare), benefits and compensation programs score (percentages of company-paid health coverage for employee, percentage of company-paid health coverage for dependents, 401K, pre-tax savings account, and deferred profit sharing plan), employee training and development score (college tuition reimbursement, average annual training for fulltime employees, average annual training for part-time employees) and organizations' annual revenue per employee?

Question number 5 was analyzed through multiple regression analysis which helped determine whether the relationship between organizations' work-life balance programs scores, benefits and compensation program scores, employee training and development scores, and organizations' annual revenue per employee is significant.

Question 6: Is there a statistically significant relationship between organizations' work-life programs score (telecommuting, work sharing, compressed workweek, and onsite childcare), benefits and compensation programs score (percentages of company-paid

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health coverage for employee, percentage of company-paid health coverage for dependents, 401K, pre-tax savings account, and deferred profit sharing plan), employee training and development score (college tuition reimbursement, average annual training for fulltime employees, average annual training for part-time employees), and organizations' percentage of voluntary turnover?

Question 6 was also analyzed through multiple regression where the analysis helped determine whether the relationship between organizations' work-life balance scores, benefits and compensation program scores, employee training and development scores, and organizations' voluntary turnover is significant.

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CHAPTER 4

RESULTS

As discussed in Chapter 1, there has been great deal of emphasis on the business case for diversity. However, the empirical evidence as to the relationship of diversity and performance is quite divergent. As a result, there still exists a great need for academics and practitioners alike to understand the relationship of diversity to organizational performance, if any. Furthermore, much research has pointed to the importance of analyzing the relationship of diversity to organizational performance by taking into consideration such organizational dynamics as the support of senior management for diversity and inclusion initiatives, organization culture, and policies which are geared towards including the entire workforce. The aim of this paper is to add to the current literature by analyzing the relationship of diversity and performance in case of the 100 Best Companies to Work list, as published annually in *Fortune Magazine*, based on the research of the Great Place to Work Institute.The 100 Best Companies to Work were selected for the purpose of this study as they have been recognized to have great organizational culture by the Great Place to Work Institute using the procedures outlined in Chapter three. This study is thus an ex-post facto analysis of data from the 100 Best Companies to Work demographics in terms of the percentage of female executive managers, percentage of female employees, percentage of minority employees, cultural practices such as employee benefits and compensation, Work-life

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balance initiatives, and training and development opportunities for employees, as well as the percentage of organizations' voluntary turnover and annual revenue, in order to determine the relationship of diversity to organizational performance, if any. As described in Chapter three, the study's data were obtained from the Great Place to Work Institute based on the raw data provided to them by companies which applied to be considered for the 100 Best Places to Work list; these data illustrate their organizations' diversity make up, cultural practices, revenue, and voluntary turnover. Due to missing data from some companies, 92 companies from the list were selected for the purpose of analysis due to the researcher's attempt to keep the data source consistent. Furthermore, the study conducted a status analysis to visually compare the average workforce diversity composition of the companies listed on the 100 Best Companies to Work list and the diversity workforce composition of the Federal Agencies of the United States as reported by FEORP, which is indicative of the general diversity composition of the workforce in the United States; this analysis will allow to determine the diversity status of the 100 Best Companies to Work list as compared to the diversity of the American Federal Workforce. Since the study utilized simple and multiple regression analyses, all variables in the study were tested for normality of distribution through Jarque- Bera analyses. The results of the Jarque- Bera analyses for the study's variables revealed that the variables of the percentages of women and minorities were normally distributed, while the dependent variables of revenue, revenue per employee and percentage of turnover were not normally distributed. However, as posited by Greene (2012) the presence of outliers as well as the small sample size may contribute to data's non normal distribution. Furthermore, as suggested by the Gauss–Markov theorem, regression analysis does not need to assume normality of data, and that least squares regression is the blue

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estimator regardless of the distribution. Therefore, it was possible for the study to conduct statistical analyses using simple and multiple regression (Greene, 2012).

Workforce Diversity Make Up

The Federal Equal Opportunity Recruitment Program in its report to the Congress puts the percentages of female and minority employees in the Federal government as 43.5 and 34.6 respectively. The aim of research question 1 is thus to compare this workforce diversity breakdown to the average employee diversity breakdown of the companies on the 100 Best Companies to Work list.

A mean test, was conducted compare the mean of the diversity composition of the Federal Agencies in the United States, as reported by FEORP in terms of the percentage of female employees at 43.5 percent, and the minority employees at 34.6 percent at the Federal Agencies to that of the average diversity composition of the companies on the 100 Best Places to Work list with the mean of 47.32 percent for the percentage of female employees and the mean of 31.07 percent for the minority employees, at critical value of 5 percent. Prior to conducting the mean test analyses however, a Jarque- Bera analyses was conducted for the variables of the percentages of female and minority employees' in the 100 Best Companies to Work, in order to determine whether these two variables were normally distributed. The results of the Jarque-Bara analyses indicated that both variables for the percentage of female employees and minority employees were normally distributed. Subsequent to the normal distribution test, a manual t-test was conducted to compare the mean of the percentages of female and minority employees at the 100 Best Companies to Work list with the percentages of female and minority employees in the Federal Agencies. Based on the results from the mean test analysis, it was demonstrated that the

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mean of both the percentages of female and minority employees at the 100 Best Companies to Work were different to the percentages of the female and minority employees' at the Federal Agencies at the critical value of 5 percent, and with the t-statistics of percentage of women at 2.00 and the percentage of minority employees at -2.16 and $p < .05$. The results therefore, demonstrated that the average workforce demographics of the 92 selected companies, from the 100 Best Place to Work is comprised of higher percentage of female employees at 47.32 percent in comparison to the percentage of female employees at Federal Agencies at 43.5 percent. The results further indicated that the average minority demographic at the 100 Best Companies to Work was at 31.07 percent which is lower than the 34.6 percentage of minority employees at the Federal Agencies

The Relationship between Diversity and Organizations' Annual Revenue

The literature on the empirical relationship of diversity and organizations' performance has yielded divergent results. This paper thus aimed to analyze ex-post facto data from the 100 Best Companies to Work list to determine whether there was a relationship between organizations' executive gender diversity composition, in addition to analyzing the relationship between organizations' workforce diversity composition in terms of race and gender, and organizations' annual revenue. Research question 2 was addressed using simple regression analysis as well as multiple regression analyses to assess the relationship, if any, of percentage of female executives, female employees, and minority employees, and organizations' annual revenue. In the first step of the analysis, each of the percentages of female executives, female employees, and minority employees, and their relationship to organizations' annual revenue was analyzed through three sets of individual simple regression analyses, one analysis for each

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variable, as well as a Pearson Product Moment correlation analysis. In the second step of the analysis, a multiple regression analysis was performed to assess the combined relationship of executive female employees, female employees, and minority employees on organizations' annual revenue. In the third step of analysis, a secondary multiple regression analysis was performed to assess the combined relationship of executive female employees, female employees, and minority employees on organizations' revenue, while controlling for organizations, size. The results for question 2, is determined based on the values herein from the Pearson Product Moment correlation analysis, as well as the simple and multiple regression analyses. Coefficient value reported in table 4, and for questions 2- 6 refers to the direction of the relationship between the independent and dependent variable or variables. A positive coefficient value indicates a positive relationship between the independent and dependent variables meaning that an increase in the independent variable is related to an increase in the dependent variable, while a negative coefficient value indicates a negative relationship between independent and dependent variables, meaning an increase in the independent variable is related to a decrease in the independent variable (Hayden, 2008). The P-Value reported below tests the null hypothesis that the coefficient between the independent and dependent variables equals to 0, meaning there is no relationship. A low P-Value score suggests that the null-hypothesis that there is no relationship between the independent and dependent variables could be rejected at a certain critical value such as 5% or 10%. The adjusted R Square value refers to the fit of the regression model. The number of Adjusted R Square is increased when each independent variable adds strength to the model in terms of its relationship to the dependent variable, the R value refers to

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the degree of variance in the dependent variable as result of the independent variable (Dielman, 2001; Hayden, 2008).

Table 4 is comprised of the results of both the simple and multiple regression analyses for question 2.

Table 4.
Results of Single and Multiple Regression Analyses for research question 2

	Coefficients	*Standard Error*	*P-value*	*R Square*	*Adj R Square*
Intercept &	11.48	2.13	5.82E-07	0.057	0.05
Simple Regression Analysis of the percentage of Executive Female Employees and Organizations Revenue	-14.13	6.05	0.021		
Intercept &	14.11	2.93	5.87E-06	0.07	0.05
Simple Regression Analysis of the percentage of Female Employees and Organizations Revenue	-14.74	5.78	0.013		
Intercept &	4.07	2.41	0.094	0.02	0.01
Simple Regression Analysis of the percentage of Minority Employees and Organizations Revenue	9.94	6.93	0.15		
Intercept &	11.01	3.40	0.00	0.12	0.09
Multiple Regression Analysis of the percentages of Executive Female Employees	-10.29	7.30	0.16		
Female Employees	-10.29	6.91	0.140		
Minority Employees	13.42	6.77	0.05		
Intercept & Multiple Regression Analysis of the percentages of	10.92	3.06	0.00	0.30	0.26
Executive Female Employees, with firm size as controlled Variable	-5.92	6.63	0.37		
Female Employees	-13.20	6.26	0.04		
Minority Employee	4.44	6.40	0.50		

Note: dependent variable is total revenues in billions

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Based on the results from the simple regression analyses in regards to the relationship of female executives and organizational annual revenue, it is noted that companies with a higher number of female executives and female employees reported lower annual revenues, this relationship was noted as statistically significant. Companies with higher percentages of minorities reported higher annual revenues, however, the relationship of the percentages of minorities and company revenue was not statistically significant. It is noteworthy however, that the Pearson Product Moment correlation analysis yielded a moderate correlation between the above variables and organizations' annual revenue with a reported correlation of -0.26 for the percentage of executive female and annual revenue, -0.24 for the percentage of female employees and annual revenue, and 0.15 between the percentage of minority employees and annual revenue. Meaning that the variance in the dependent variable, in this case organizations' annual revenue is moderately correlated to the variables of the percentages of executive female, female, and minority employees.

The result of the first multiple regression analysis (see Table 4) taking into consideration the relationship of the percentages of executive female employees, female employees, and minority employees, indicated a not statistically significant relationship between percentages of female executives and employees and organizations' annual revenue. However, the results indicated a positive, statistically significant relationship between the percentages of minority employees and organizations' annual revenue. A secondary multiple regression analysis was performed for research question 2, to determine the relationship of the percentage of executive female employees, female employees and minority employees and organizations' annual revenue, while controlling for company size. The secondary results from the multiple regression

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analysis with company size as a controlled variable indicated that there is a weak positive relationship between the percentage of minority employees and firms' revenue, in addition to a weak negative relationship between the percentage of executive female employees and organization revenue, which are not statistically significant. While indicating a negative statistically significant relationship between the percentage of female employees and organization revenue.

The variation between the results from the simple regression analyses as well as the multiple regression analyses may be due to the fact that, in multiple regression analysis, the degree of the relationship of each independent variable on the dependent variable is assessed in comparison to other variables, while the simple regression only analyzed the relationship of one independent variable to the dependent variable. Therefore, multiple regression and simple regression analyses could yield different results, depending on the level of relationship of each independent variable to the dependent variable. However, in the analysis for research question 2, once the company size was controlled as evidenced in the second multiple regression analysis, the analysis yielded similar results as those in the simple regression analyses.

The overall results for research question 2, suggested that of the 92 companies analyzed, organizations' with higher percentage of minorities demonstrated higher revenue levels, while organizations' with higher percentages of female executives and employees showed lower levels of revenue.

The Relationship between Diversity and Organizations' Revenue per Employee

Employee productivity or revenue per employee was calculated by dividing organization's annual revenue to its number of employees in order to determine each employee's

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productivity. In this regard, research question three was analyzed through multiple regression analysis, in order to determine the relationship of the percentages of executive female employees, percentages of female employees, and minority employees and organizations' annual revenue per employee which aims at understanding each employee's productivity in the organization and their contribution to organizations' overall revenue. Table 5 demonstrates the results for research question 3, based on the simple and multiple regression analyses.

Table 5.
Results of Single and Multiple Regression Analyses for research question 3

	Coefficients	*Standard Error*	*P-value*	*R Square*	*Adj R Square*
Intercept &	1.11	0.21	5.18E-07	0.06	0.05
Simple Regression Analysis of the percentage of Executive Female Employees and Organizations Revenue Per Employee	-1.35	0.58	0.02		
Intercept &	1.44	0.28	1.4E-06	0.08	0.07
Simple Regression Analysis of the percentage of Female Employees and Organizations Revenue Per Employee	-1.58	0.55	0.01		
Intercept &	1.17	0.23	1.64E-06	0.06	0.05
Simple Regression Analysis of the percentage of Minority Employees and Organizations Revenue Per Employee	-1.51	0.65	0.02		
Intercept &	1.80	0.32	2.74E-07	0.13	0.10
Multiple Regression Analysis of the percentages of Executive Female Employees, and Revenue Per Employee	-0.39	0.70	0.57		
Female Employees	-1.25	0.66	0.06		
Minority Employees	-1.28	0.65	0.05		

Note: dependent variable is total revenues per worker in millions; P Value <5%, 10.

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In a follow up strategy to research question 2, a three-step analysis was utilized for research question 3. In the first step, a simple regression analysis was performed individually for each independent variable to assess the relationship of that variable to the employee productivity. In the second step a Pearson Product Moment correlation analysis was conducted to determine the percentage of variance in the dependent variable by the independent variables. In the third step, a multiple regression analysis was performed to assess the relationship of all the variables to employee productivity or revenue per employee.

Based on the results of the simple regression analyses reported in the table above, companies with higher percentages of executive female employees, female employees and minority employees, show lower revenue per employee, or employee productivity. The results of the simple regression analyses are statistically significant. However, the Pearson Product Moment correlation analysis yielded a moderate correlation between the percentage of executive female and revenue per employee at -0.24, the percentage of female employees and revenue per employee at -.29, and the percentage of minority employees and revenue per employee at -0.24.

Furthermore, the results from the multiple regression analysis of the above variables (see Table 5) and organizations' annual revenue per employee yielded a negative statistically significant correlation at 10% between the percentage of female employees and organizations' revenue and per employee. The results further showed a negative statistically significant relationship at 5 percent between the percentage of minorities and organizations' annual revenue per employee.

Overall, the analyses of research question three demonstrated that companies with increased number of female and minority employees demonstrate lower revenue per employee.

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However, there isn't a strong relationship between the percentage of female executives and revenue per employee.

The Relationship between Organizations Cultural Components and Revenue

Much of the research on diversity shed light on the importance of organizations' cultural components in creating and fostering inclusive organizations, which use the talents of all employees, regardless of their differences, in achieving organizational goals (Barney, 1995; Cox & Blake, 1991; Sabharwal, 2014). To this end, this study has created an organizational cultural score card in the areas of employees benefits and compensation, Work-life balance policies, and training and development opportunities, based on the ex-post facto data provided by the companies to the Great Place to Work Institute. Each organization was assigned a score in the above categories, based on the programs they offered their employees. The aim of this component of the study was to analyze whether there is a relationship between organizations' cultural score in each category and organizations' annual revenue. To this end, the research question four was analyzed through simple and multiple regression analyses to determine the relationship between organizations' cultural scores in regards to their benefits and compensation, family friendly policies, and training and development opportunities for employees and organizations 'annual revenue both individually, through simple regression analysis, and collectively, through multiple regression analyses, once without controlling for the size of the firm, and once controlling for the size of the firm. Table 6 is indicative of the results of the simple and multiple regression analyses for research question 4.

Table 6.

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Results of Single and Multiple Regression Analyses for research question 4

	Coefficients	*Standard Error*	*P-value*	*R Square*	*Adj R Square*
Intercept & Simple Regression Analysis of the score of organizations' benefits and compensation and organizations revenue	-1.27	5.25	0.81	0.03	0.02
	2.04	1.24	0.10		
Intercept & Simple Regression Analysis of the score of organizations' work-life policies and organizations revenue	8.04	1.80	2.27E-05	0.00	-0.00
	-0.51	0.82	0.54		
Intercept & Simple Regression Analysis of the score of organizations' training and development opportunities and organizations revenue	9.28	4.28	0.03	0.00	-0.01
	-0.50	0.98	0.61		
Intercept & Multiple Regression Analysis of the relationship of organizations' benefits and compensation score and organizations' annual revenue	1.53	6.51	0.81	0.03	0.00
	2.07	1.26	0.10		
Organizations' Work-life balance program score and organizations' annual revenue	-0.32	0.84	0.71		
Organizations' training and development opportunity score and organizations' annual revenue	-0.57	1.01	0.57		
Intercept & Multiple Regression Analysis of the relationship of organizations'' benefits and compensation score and organizations' annual revenue, controlling for firm size	-3.35	5.87	0.57	0.25	0.21
	2.30	1.12	0.04		
Organizations' work-life balance score and annual revenue, controlling for firm size	-0.43	0.75	0.56		
Organizations' training and development opportunity controlling for firms size	-0.31	0.90	0.73		

Note: dependent variable is total revenues in billions

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The results of the simple and multiple regression analyses as to the relationship of organizations' cultural score and organizations' annual revenue, indicated that organizations' with higher scores for benefits and compensation, reported higher revenues (see Table 6). This relationship however, was shown to be at statistically not significant level in the first regression analysis; however, it was shown to be statistically significant once the company size was controlled in the second multiple regression analysis, as evidenced in the above table. Furthermore, both simple and multiple regression analyses indicated a negative though not statistically significant relationship between work-life balance policies and training and development opportunities score, and organizations' annual revenue. Therefore the analyses for question 4, does not demonstrate a strong relationship between the organizations' cultural score and annual revenue, except in case of employee score.

The Relationship between Organizations Cultural Components and Revenue per Employee

The literature on diversity and inclusion points to the importance of creating and fostering of an organizational culture which allows each employee to feel important to the organization and to contribute towards organizations' goals. Therefore, it is integral to assess individual employees' productivity in firms, and evaluate whether there is a relationship between organizations' cultural scores and revenue per employee or employee productivity. To this end, research question five was analyzed through simple and multiple regression analyses to determine the relationship between organizations' cultural scores in regards to their benefits and compensation, work-life balance policies, and training and development opportunities for employees, on the one hand and organizations' annual revenue per employee, on the other, both individually, through simple regression analysis, and collectively, through multiple regression

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analysis. Table 7 contains the results of the simple and multiple regression analyses for research question 5.

Table 7.
Results of Single and Multiple Regression Analyses for research question 5

	Coefficients	*Standard Error*	*P-value*	*R Square*	*Adj R Square*
Intercept &	0.50	0.51	0.33	0.001	-0.01
Simple Regression Analysis of the score of organizations' benefits and compensation and organizations revenue per employee	0.045	0.12	0.70		
Intercept &	0.83	0.17	4.92E-06	0.01	0.00
Simple Regression Analysis of the score of organizations' work-life balance policies and organizations revenue per employee	-0.08	0.08	0.30		
Intercept &	1.00	0.41	0.02	0.01	-0.00
Simple Regression Analysis of the relationship of the score of organizations' training and development opportunities and organizations' revenue per employee	-0.07	0.09	0.44		
Intercept &	0.87	0.63	0.17	0.02	-0.02
Multiple Regression Analysis of the relationship of organizations' benefits and compensation score and organizations' annual revenue per employee	0.05	0.12	0.70		
Organizations' work-life balance program score and organizations' annual revenue per employee	-0.07	0.08	0.40		
Organizations' Training and Development opportunity score and organizations' annual revenue per employee	-0.06	0.10	0.55		

Note: dependent variable is total revenues per worker in million

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The results from both simple and multiple regression analyses in regards to organizations' benefits and compensation score, work-life balance policy score, and training and development opportunity score and organizations' revenue per employee indicated a positive but statistically insignificant relationship between organizations' Benefits and compensation score and organizations' revenue per employee, demonstrating that organizations with higher Benefits and compensation scores showed higher level of revenue per employee. (See Table 7). The results however, did not demonstrate a strong relationship between organizations' Work-life balance policies, and training and development opportunities and revenue per employee. However, as explained in question 4, these results may be due to the ex-post facto design of the study, which does not provide the researcher with more comprehensive information and access for further analysis. The results may also be due to the fact that as posited in the literature although organizations offer the above-mentioned programs to employees, few employees take advantage of such programs, therefore, the existence of such programs will not have a strong impact on employee productivity as the programs are either not utilized or are underutilized.

The Relationship between Organizations' Cultural Component and Voluntary Turnover

The literature suggests that organizations with inclusive cultural measures may experience better employee satisfaction, and, therefore, a lower rate of voluntary turnover. To this end, this paper will analyze whether there is a statistically significant relationship between organizations' cultural components scores and the percentage of organizations' voluntary turnover. Research question six was analyzed through simple and multiple regression analyses to help determine the relationship between organizations' compensation score, family friendly policies score, as well as their training and development opportunities for employees, and the

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percentage of organizations' voluntary turnover. Table 8 provides the results for the simple and multiple regression analyses.

Table 8.
Results of Single and Multiple Regression Analyses for research question 6

	Coefficients	*Standard Error*	*P-value*	*R Square*	*Adj R Square*
Intercept &	0.12	0.05	0.02	**0.00**	-0.01
Simple Regression Analysis of the score of organizations' benefits and compensation and the percentage of organization's voluntary turnover	-0.00	0.01	0.89		
Intercept &	0.11	0.02	8.65E-10	**0.00**	-0.01
Simple Regression Analysis of the score of organizations' work-life policies and the percentage of organizations' voluntary turnover	-0.00	0.01	0.62		
Intercept &	0.13	0.04	0.00	**0.00**	-0.01
Simple Regression Analysis of the relationship of the score of organizations' training and development opportunities and percentage of organizations' voluntary turnover	-0.01	0.01	0.56		
Intercept &	0.14	0.06	0.03	0.00	-0.03
Multiple Regression Analysis of the relationship of organizations' benefits and compensation score and percentage of organizations' voluntary turnover	-0.00	0.01	0.91		
Organizations' work-life balance program score and percentage of organizations' voluntary turnover	-0.00	0.01	0.70		
Organizations' training and development opportunity score and percentage of organizations' voluntary turnover	-0.00	0.01	0.64		

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The results of the simple and multiple regression analyses (see Table 8) did not indicate a strong relationship between organizations' cultural score in the areas of benefits and compensation, work-life balance program, and training and development and the percentage of voluntary turnover within organizations. As mentioned above these results have been obtained through an ex-post facto study design, therefore, the researcher did not have access to the percentages of employees who partake in the above-mentioned programs. However, as suggested by the literature many employees do not take advantage of the programs offered by organizations, and therefore, it will be very difficult to ascertain the level of relationship between organizations' cultural score and organizations' voluntary turnover, since many employees may not be participating in the above programs.

In addition to the above analyses which were conducted to answer the study's research questions, the study conducted additional analyses to assess the relationship of organizations' revenue to revenue per employee as well as the relationship of revenue to turnover and revenue per employee and turnover. The results from the mentioned statistical analyses indicated that higher organizational revenue resulted in higher revenue per employee at a statistically significant level. In addition, increased revenue in organizations was related to lower percentage of voluntary turnover at a statistically significant level. Furthermore, results indicated that higher revenue per employee or employee productivity was related to lower percentage of voluntary turnover, at a statistically significant level.

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Summary

The study's findings demonstrated mixed results in regards to the relationship between organizations' diversity and firm level performance. The findings suggested that the 100 Best Companies to Work's workforce composition was different than the Federal Government's workforce composition in that on average their workforce was comprised of 47.32 percent compared to Federal Governments' 43.5 percent female workforce breakdown, while the 100 Best Companies to Work's average diversity workforce breakdown at 31.07 percent was lower than that of the Federal Government's minority workforce composition of 34.6 percent. Furthermore, the research results indicated a mixed relationship between the percentages of executive female employees, female employees and minority employees, and organizations' annual revenue. While companies with the increased percentage of female executive and female employees reported lower revenue, companies with increased percentage of minority employees showed increased annual revenue. Furthermore, the results indicated that higher percentage of female executives, female employees, and minority employees, was not related to higher productivity or revenue per employee in organizations, opening the discussion and future research opportunities to analyze the factors affecting the relationship between diversity and employee productivity in a more comprehensive research design. The study's results did not demonstrate a strong relationship between organizations' cultural scores and organizations' revenue and revenue per employee or employee productivity. The study results however, demonstrated that higher organizational revenue is related to higher revenue per employee or employee productivity. In addition, it was noted in the study results that higher revenue and revenue per employee was related to decrease in the percentage of voluntary turnover.

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CHAPTER 5

CONCLUSIONS AND DISCUSSION

The purpose of this research was to explore the possibility of a relationship between organizations' diversity composition and its performance in the case of the 100 Best Companies to Work list, as published annually in the *Fortune Magazine.* While there has been much research in regards to diversity and its relation to organizations, few studies have focused on the relationship of diversity to firm level performance. Virtually no research has done so in the context of high culture organizations, such as the companies on the te100 Best Companies to Work list.

Responding to the Research Questions

The first research question in the study, aimed at comparing the Federal workforce breakdown as reported by FEORP in a report to congress with that of the workforce breakdown in the 100 Best Companies to Work. The reason the Federal Workforce breakdown in terms of workforce diversity was selected for the visual comparison in this study, was that the Federal Workforce breakdown is set in congruence with the American workforce breakdown, and since the 100 Best Companies to Work are selected as best places to work in America, the researcher wanted to determine if on average the 100 Best Companies to Work's workforce diversity breakdown was similar to the diversity breakdown of the American Federal workforce. The data

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demonstrated that on average the workforce breakdown of the 100 Best Companies to Work is different to the Federal government's workforce diversity breakdown, meaning that on average the workforce composition of the 100 Best Companies is comprised of higher percentage of female employees at 47.3 percent, in comparison to the Federal Agencies' female workforce composition of 43.5 percent. However, the study found that on average the percentage of minority employees at the 100 Best Places to Work, at 31.07 percent, is lower than that of the Federal Agencies' minority workforce breakdown of 34.6 percent.

The second research question in this study aimed to understand the relationship if any between the percentage of female executives, percentage of female employees, and the percentage of minority employees to organizations' revenue. The literature in the field of diversity presents mix evidence as to the relationship of diversity to firm performance. While theoretical studies have numerated the positive effects of diversity on organizations' performance (Cox & Blake, 1991, Barney, 1995), the empirical evidence as to this relationship is quite divergent. Scholars Christian, Porter, and Moffitt (2006) highlighted that while some research has shown positive effects of diversity on performance, other research have suggested negative of affects diversity on organizations. Research conducted by various scholars have found that more diverse groups do not produce better performing and more committed employees (Jackson et al. 1995; Millikin & Martins, 1996; Williams & O'Reilly, 1998). Kochan et al. (2003) have argued that it is difficult to link organizations' diversity to financial performance due to such factors as the sensitivity of the topic of diversity in organizations, organizations' lack of interest to share their diversity data with researchers for fear of negative ramifications, and complications in tying diversity to organizations'' financial performance,

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without considering the moderating factors which effect the management process of organizations. These findings were substantiated by the current study. Furthermore, Kochan et al. (2003) empirical analysis found that diversity has few positive or negative effects on performance, and that organizational context plays an integral role in how diversity is related to performance.

This study adopted the Causal Performance and Change Model as its theoretical framework, which, underscores such important variables as the external environment, leadership, and culture which impact the organizations 'performance. The present study is an ex-post facto analysis of data with the aim of determining whether there is a relationship between organizations' diversity composition and organizations' performance. The researcher analyzed the ex-post facto data to help determine the relationship of firm diversity composition and organizations' performance in terms of overall organization revenue, in congruence with literature mentioned above, the study found dichotomous relationship between gender diversity and racial diversity and organizations' revenue. While organizations with increased executive female diversity, and female diversity reported lower levels of revenue, organizations with higher percentage of minority employees reported higher levels of revenue. This study's analyses of diversity and its relationship to revenue correspond to many mentioned studies in the literature, showing a mixed result as to the relationship between diversity and firm level performance, highlighting the complexity of issue of diversity and its impact on organizations, as well as the importance of obtaining information on companies' diversity initiatives that allow for a more comprehensive study.

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The concept of inclusion is related to organizational diversity. Organizational inclusion comprises various components which allow employees to feel as valued members of the organization, and which allows them to participate in the decision-making process and under which their diversity is considered valuable to the organization (Ferdman, Avigdor, Braun, Konkin, & Kuzmycz, 2010; Sabharwal, 2014). Furthermore, Stewart and Johnson (2009) suggested that inclusive organizations do not solely recruit diverse employees for legal compliance, but recruit diverse employees for their unique skill sets that can lead to organizational competitive advantage. Such organizations are set to experience higher levels of output (Stewart & Johnson, 2009). Scholars Holvino (2004) and Sabharwal (2014) suggested that possessing a diverse workforce and incorporating family-friendly work policies do not automatically transition organizations into inclusive organizations that empower and include all employees regardless of their diversity. Therefore, since much of the literature on diversity, points to the importance of looking at individual contributions of employees to the organizations' objectives (Sabharwal, 2014), the researcher's aim in question three was to determine the relationship of diversity to revenue per employee or employee productivity through analysis of ex-post facto data, as this measure of performance more closely analyzes the contribution of individual employees to organizations' productivity. This study's statistical analyses revealed that organizations' with higher percentages of female and minority employees demonstrated lower revenue per employee. However, the study did not establish a strong relationship between the percentage of female executives and revenue per employee. The results for this study is congruent with the literature and the Causal Performance and Change model in that it demonstrates the complexity of analyzing the relationship of diversity to performance without

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access to more in depth information in regards to inclusivity levels within organizations' the degree of support from organizations' leaders for inclusion and the extent that organizations' diversity is related to the organizations' financial and non-financial performance.

Schein (2004) defined organizational culture as a set of shared assumptions held by a group that helps determine how they understand and respond to their environment. Organizational culture is also a very important component of the Causal Performance and Change mode. Many previous studies have underscored the role of culture on organizations' diversity performance. However, culture is a very broad definition, and to this end, this study limited organizations' culture to organizations' practices in regards to their benefits and compensation, work-life balance programs, and training and development opportunities afforded to employees. Culture plays a two-fold role in organizations (Daft, 2014). Daft (2014) contended that on the one hand organizational culture provides a framework, in which members relate to one another. On the other hand, culture provides a platform under which members can adapt to the external environment. Organizational culture as underscored by the Causal Performance and Change model is related to the leaderships' capacity to adapt to the external environment. Scholars Chatman and Eunyoung Cha (2003), and Rosenthal and Masarech, (2003) argued that creating and sustaining a high performance culture in organizations is among the most important jobs of organizations' leaders. Kotter and Heskett (1992) suggested that companies that had leaders who actively support cultural values outperformed companies that had leaders who did not support cultural values. For this study, the researcher assigned a score to each above mentioned categories of benefits and compensation, work-life balance policies, and training and development opportunities for employees for each company. The fourth research question

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therefore, aimed at analyzing the relationship of companies' cultural scores and organizations' annual revenue. Contrary to the researchers' bias in regards to organizations 'cultural components and their relationship to performance, the statistical analyses for this question did not garner a strong relationship between organizations' cultural components of work-life balance programs and training and development opportunities and annual revenue. However, the study indicated a strong relationship between organizations' benefits and compensation and annual revenue. As previously discussed however, these results could be due to limited information available to the researcher in regards to companies' cultural practices, highlighting the importance of clearly defining benchmarks of cultural components within organizations and empirically assessing their impact on company performance.

Cascio and Young (2005) conducted a comparative study of publically traded companies on the 100 Best Companies for Working Mothers which offered increased work-life flexibility, compared with other companies on the Russell 3000, and S & P 500, in terms of revenue per employee. Their empirical analyses demonstrated that companies on the 100 Best Companies for Working Mothers did not outperform the companies on the Russell 3000 and S & P 500 in terms of revenue per employee or employee productivity. Research questions 5 aimed to analyze whether there is a relationship between organizations' cultural scores and revenue per employee to assess whether possessing high number of cultural scores that correspond to increased cultural programs in the company resulted in higher productivity in employees. The results for research question 5 indicated a weak relationship between organizations' benefits and compensation score and revenue per employee, in that companies with higher number for benefits and compensation showed increased revenue per employee. However, contrary to the researcher's bias the results

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for question 5 did not establish a strong relationship whether positive or negative between work-life policies and training and development opportunities and revenue per employee or employee productivity. As aforementioned, these results may be due to lack of access to more in-depth information in regards to the level of employee participation in these programs, as well as limited information available to the researcher in regards to employees' perceptions of these cultural programs to holistically asses the relationship between the mentioned programs and employee productivity.

As argued by scholars Moss, Bardoel, & Tharenou (1998) and Sammer (2007) organizations recognize that all employees regardless of their parental status face personal or familial problems that may impact their work, and in this regard design programs such as compressed work week, job sharing, flexible schedule and telecommuting options that help avoid employee absenteeism and high rates of turnover within organizations. Moreover, as mentioned by Inc. Magazine (2014), the list of top ten companies for employee financial security regardless of company size are those companies that not only provide their workforce with viable retirement options, but also provide them with adequate options to choose their financial well-being, in addition to providing them with company paid or subsidized healthcare for employees' and their dependents. Furthermore, many organizations spend large sums of money in their training and development efforts. The increased need for training and development is in part due to but not limited to the following factors: changes to the workforce demographics, changes in technology, hyper competition, organizations' need to attract and retain highly skilled talents, and organizations' geographical expansion (Cascio, 1998; Noe, 2002). However, as argued by Mattioli (2009) regardless of the level of organizational expenditure in the area of training and

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development, few studies focus on efficacy of such programs and such programs' social and financial ramifications for the companies. Question 6 aimed to analyze whether there is a relationship between organizations' cultural scores and the percentage of voluntary turnover. The statistical results for research question 6 did not demonstrate a relationship between organizations' cultural scores in the areas of benefits and compensation, work-life balance policies, and training and development programs and the percentage of voluntary turnover, meaning that the higher score in the above categories was not related to the percentage of voluntary turnover. Highlighting once again a need for more comprehensive study in determining factors which impact employees' decision to stay or leave the company.

Therefore, it is consistent to conclude that there is a mixed relation in the relationship of organizations' gender and racial diversity and firm-level performance, and that organizations' cultural inclusive components need to be more comprehensively assessed in regards to their relationship with organizations' performance, employee productivity, and voluntary turnover. Further, in order to holistically assess the relationship of diversity to culture and performance, a more comprehensive and perhaps a longitudinal study is needed to analyze the mentioned variables.

Theoretical Implications

The issue of diversity and inclusion, and its relationship to companies' performance is of great importance. This paper thus contributes to the current literature by shedding light on a divergent result between the relationship of female employees and minority employees to organizations' performance, highlighting future research opportunities as to why this difference exists. Furthermore, this research emphasizes the importance of creating clear benchmarks for

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measuring organizations' cultural components aimed at creating inclusive organizations and how such initiatives could be related to organizations' performance. Cox and Blake (1991) and Sabharwal (2014) suggest that organizations which create inclusive work cultures are set to see greater financial benefits and employee productivity. However, as evidenced in this research, such inclusive measures should be defined in a more concrete measurable manner in order to assess their relationship and contribution to organizations' financial and non-financial performance more accurately. There are many studies that numerate the impact of diversity training on companies, the impact of diversity on firms, the impact of culture on firms, the impact of culture on employees, and the importance of inclusion in the company. It is also granted based on the literature that diverse employees possess diverse and unique skill sets that can help the advance and attain competitive advantage. However, in order to truly understand the phenomenon of diversity, it is not enough to solely analyze diversity's impact on organizations' performance, rather it is better to study diversity in a manner which helps both researchers and academics understand how better to include everyone so that they can positively contribute, and tie such theoretical finding to concrete and measurable organization training initiatives, leadership practices, company culture, and then analyze if such measures of including everyone yielded positive performance outcomes for the organization.

Practical Implications

This research sheds light on the complexity of linking workforce composition to firm-level performance, in that it establishes divergent results in the relationship of racial and gender workforce composition and organizations' performance, allowing organizations to determine the reasons for difference in relations of minority employees and performance in comparison to that

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of the female employees and performance. The research further illuminates the importance of organizations' defining their cultural inclusive components in relation to their long-term strategies and performance and determining whether such policies are accomplishing what they are intended to accomplish. Lastly, and most importantly the research implies the importance of organizations' allowing access to their information for research purposes as to better enable themselves to understand the value of their workforce diversity and thus better utilize their diversity to their strategic advantage. The topic of diversity is indeed a sensitive topic as evidenced in the literature. However, as with many other sensitive topics, an honest an open clear discussion on the matter, supported by evidence through clear access and comprehensive and empirical study of the phenomenon, will help organizations to better channel their diversity and inclusion efforts and discover new ways to include their entire workforce in a manner that is beneficial to both the employees and organizations' financial and non-financial performance. Finally, the study was limited to a single year of data that may be different from other years over the past decade or so.

Limitations of Research

This research was limited to the 100 Best Companies to Work list, as published annually in the *Fortune Magazine*. The research was further limited in that the researcher did not have access to comprehensive data in regards to the organizations' diversity and inclusion efforts. The researcher further had to limit the design of the study due to the sensitivity of the diversity topic, as much of the diversity related information for the companies were either not provided to the Great Place to Work Institute or participating companies had requested that their information be

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kept confidential. The researcher, therefore, had to rely solely on ex-post facto data for the study's analyses due to time and financial constraints.

Recommendation for Further Research

This study provides many opportunities for future research. First and foremost, future research must be conducted to determine the scope of organizations' diversity initiatives and their impact on organizational culture and, subsequently, on the organizations' financial and non-financial performance. A comprehensive longitudinal study, which analyzes an organization's diversity training initiative from the onset, and measures what difference this training makes within organization's leadership, organization's culture as well as the organization's workforce should be given priority. Furthermore, comprehensive research is recommended to assess whether organizations' diversity initiatives work towards empowering women and minority employees by analyzing their performance before and after implementation. Finally, there should be future research where inclusive cultural measures within organizations are defined in a measurable way, and their relationship to organizations' financial and non-financial performance determined.

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