The Impact of Workforce Diversity Towards Employee Performance: Evidence from Banking Sector of Pakistan

Muhammad Rizwan*, Mula Nazar Khan, Babar Nadeem, Qalb e Abbas

Hailey College of Commerce, University of the Punjab, Lahore, Pakistan

Abstract

The purpose of this research is the investigation of the effect of workforce diversify towards employee performance in a banking industry of Pakistan. There are numerous factors that can affect performance of the employee but this research includes only the most critical variables among all the others such as gender, age, ethnicity and educational background of the employees as predictor variables of employee performance in an organization. For this investigation simple random sampling technique was used and data was collected by personally distributing 230 questionnaires to the employees in major banks at Lahore. Regression analysis technique has been used for data analysis and to find causal relation among the variables. All the independent variables were found to be highly significant at 5% level of significance and the signs of the regression coefficients were in accordance to the past studies. The data results show that there is a significant impact on employee performance when different workforce is working in the banking industry.

Keywords

Employee Performance, Ethnicity, Investigation, Predictor, Work Force Diversify

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1. Introduction

Innovative advancements and the appearance of a worldwide economy has brought the general population of the globe more and more closely to one another. Due to this increasing globalization, most of the organizations, educational institutions, small and large scale firm and different associations are examining and attempting to discover distinctive approaches to better serve their constituents. This integrates that one breakthrough is having the capacity to draw in and hold the best and most qualified diverse workforce. Organizations that can take activity to create and utilize significant strategies and approaches to do this will have a reasonable advantage on competitors and to build their adequacy. For the accomplishment of dominant edge and keep up it productively, we should have the capacity to discover on the most essential asset that can help us lead and contend the partners, for example, the abilities of the workforce in an organization. With the expanding propensity of diversity in the workforce, we should look forward for the development of our viewpoint and use inventive strategies and creative policies to be profitable. Skilled and very much prepared faithful employees can give this asset in the event that we regard them and take their consideration as business resource. This research investigates the impact of workforce diversity towards employee's performance in banking industry of Pakistan.

Workforce diversity is identified with the organizations that are turning out to be more heterogeneous with the mix of various individuals such as age gender, race, ethnicity and educational background (Pretty, Adams et al. 2009). According to Fleischmann, Robbins et al. (2009) workforce
diversity has vital ramifications and results toward management practices and policies and various workforce incorporates gender, age, ethnicity, and educational background. More often than not, diversity is perceived in a tight and circumscribed style, principally tending to the matters of race or gender dissimilarities and identified with the commandments which has been giving secured prestige to certain working teams and groups. We used comprehensive definition and reason of diversity covering a large portion of the attributes that individuals have that influence their way of thinking and doing things.

1.1. Problem Statement
In today’s world, workforce diversity is globally perceived and it has become an interesting issue at workplace and market. Any organization that plans to be more dynamic and profitable must have a borderless viewpoint and a basic duty to guarantee that workforce diversity to be the part of everyday business conducts and corporate practices (Childs, Losey et al. 2005). Understanding the effect of this workforce diversity on organizational results, for example, organizational performance, employee satisfaction and turnover of employees and the proper management of diversity, has become very crucial (Choi and Rainey 2010). In 1980s when these trends were initially recognized, these were declared to be an open door for all organizations to become more inventive and creative to achieve already unreached markets and in broad to attain and retain a competitive advantage over other organizations (Thomas and Ely 1996, Lewis, Harris et al. 2007, Kulik and Roberson 2008, Algahtani 2013).

1.2. Research Objectives
The main purpose of this study is to find different types of workforce diversity that has any effect towards employee's performance in an organization. It distinguishes the variables to the degree and the way they can impact the employee's performance primarily focusing on Pakistani banking industry. This investigation would provide a guidelines on issues that should be considered before starting the business for those prospective new participants who are going to enter the banking industry.

The specific objectives of this study are to:
1. To investigate the impact of gender diversity on employee performance in an organization.
2. To investigate the impact of age diversity on employee performance in an organization.
3. To explore the impact of ethnicity towards employee performance in an organization.
4. To inspect the relationship of educational background towards employee performance in an organization.
5. To investigate the impact of independent variables towards the dependent variable.
6. To study which independent variable has greater effect on the dependent variable.

1.3. Research Questions
1. What is the relationship between gender and employee performance?
2. What is the relationship between age and employee performance?
3. What is the relationship between ethnicity and employee performance?
4. What is the relationship between education background and employee performance?
5. What is the relationship between workforce diversity and employee performance?

2. Literature Review
Jackson, Joshi et al. (2003) explained that diversity is the presence of contrasts among individuals from a unit of society. Today, the workforce is more diverse regarding gender, age, creed, ethnicity including the general population who are distinctive and display diverse states of mind, practices, needs, norms, traditions, standards and values on workplace as noted by (Wong 2001).

Chin (2010) characterized workforce differing qualities alludes to the assortment of dissimilarities between people in an affiliation including age, race, sexual orientation, ethnic gathering, subjective style, residency, age, identity, hierarchical capacities, training, foundation and the sky is the limit from there. The U. S National Partnership for Reinventing Government (NPR) Diversity Task Force commonly with the US Department of Commerce in their financed standard examination of assorted qualities (2007) portrayed differing qualities as including every one of the traits and behavioral results that depict each of us as a person. It is almost obvious from the above definitions and discussions that the majority of the researchers harmonize on the meaning of workforce diversity.

The leading sources of the diversity comprise age, gender, creed, ethnicity (culture) and educational background moreover many more sources of diversity are there like personal demographics; skills, knowledge, abilities, values, beliefs and outlooks, personality and cognitive and interactive style of an individual. According to Graen (2003), there other numerous sources of differing qualities as political preferentialism, family relations, instructive
foundation, fellowships and Leader Member Exchange joining forces aptitudes containing execution of group abilities and skills.

2.1. Employee Performance

According to Hamilton, Nickerson et al. (2004), the former investigation on workforce diversity proposes that diversity can be either disadvantageous or useful for workgroup performance (Williams and O’Reilly III 1998). For example, workforce diversity is positively related with creativity, development, innovation and critical thinking aptitudes (Milliken and Martins 1996; Jehn, Northcraft et al. 1999) and negatively correlated with cohesiveness, collaboration, cooperation and support (Pelled, Eisenhardt et al. 1999). Good workforce diversity practices in area of human resource management are expected to improve and augment employee and organizational performance (Adler 1986). As organizational performance is categorically affected by the performance of an individual employee, so the positive consequences of workforce diversity at the employee level would also go about as inherent and external motivational variables for them and would help them develop employee cooperation. In this way, this study concentrates on the perception of employee increased through their personal practice in dealing with workforce diversity.

Management of diversity incorporates utilizing and utilizing the cultural contrasts as a part of aptitudes of individuals, thoughts and inventiveness to add to a typical goal and undertaking it in a manner that gives the organization a competitive edge over other organizations (Morrison 1992). There is a high positive relationship between worthy diversity practices and profitability of the firms based on recent studies. (D’Netto and Sohal 1999). Diversity contribute to improved inventiveness, broad viewpoints, better problem description and problem solving, there are more alternatives and better solution to the problems (Adler 1986). It is additionally discussed that, with lessening consistency in the workforce, it has gotten to be vital for associations to make approach chances and differences administration arrangements to keep up the aptitudes of representatives in light of various foundations keeping the finished objective to screen their focused position in the business sector (Cunningham 2008).

2.2. Gender Diversity

Gender-based differences in the organization are fortified and justified by generalizations and preferences that describe positive attributes and hence a higher obvious quality to the males (Jackson, Joshi et al. 2003; Cunningham 2008). In other words, organizations have an preference to contract male workforce compared to female since they should have better performance and abilities to manage their jobs.

Jackson, Joshi et al. (2003) explored a positive relationship between group sexual orientation differing qualities and intra-bunch cooperation and just inside of those areas which were generally more different as far as sex. Besides, group sexual orientation assorted qualities was absolutely identified with group execution yet at the end of the day this was genuine and huge just inside of locales arranged by reasonably higher sex differing qualities. Overall, the section of organizations with more gender based diversity at managerial and non-managerial levels were more cooperative and collaborative.

According to Eagly and Wood (1991), the groups with mixed gender performed better than the same gender groups. McMillan-Capehart (2006) and Frink, Robinson et al. (2003) had depicted the positive effect of gender-based diversity on performance of organization utilizing asset based appraisal. The studies investigating the effects of gender based diverse workforce on the performance of group have resulted in negative impact when more males were taken in the sample and there was no effect when female were taken more in sample than males. (Graen 2003). According to Kumari, Muthamilarasan et al. (2013), there was adequate level of gender based diversity can give you competitive advantage over the other competitors and extensive level of gender-based diversity may decline organizational performance.

Childs, Losey et al. (2005) has seen an reversed U-shaped relationship between management group gender heterogeneity and throughput, with respectively heterogeneous management groups showing better performance than gender homogeneous management groups. Likewise, consequences of a study by Frink, Robinson et al. (2003) showed a upturned U-shaped connection between gender composition and organizational performance. Gender diversity demonstrated a positive effect in the services industry and a negative impact on the assembling and manufacturing businesses. Consequently, service industry may advantage more from gender diversity than practices in the assembling and manufacturing commercial ventures. In this way, high gender diversity will have a more constructive outcome on employee and firm performance in the service industry than in the manufacturing industry.

Hence the adverse level of diversity can result in lesser quality because it places low performing people, less skilled workers in jobs for which they do not match well (Rothman, Lipset et al. 2003, Herring, Tsui et al. 2005). Finally, Jehn, Northcraft et al. (1999) proposed the most pragmatic evidence which advocates the negative impact of very high level of diversity on group functioning and organizational performance. (Herring, Tsui et al. 2005). In short, opponents
of the diversity model are of the argument that diversity costs higher and they advocate that diverse workforce group differences cause inequality and injustice leading to conflict and its consequent costs in form of lower employee and firm performance. Due to these reasons, opponents of diversity business model have questioned the impact of this diversity programs at the middle as well as the lower level of business organization (Herring, Tsui et al. 2005).

2.3. Age-Diversity

Growing age diversity has turned out to be an integral part of many organizations (Kunze, Böhm et al. 2011). There are two guideline thoughts which clear up this relationship that is the social personality and self-arrangement. People are prescribed to portray themselves into particular gathering on the premise of qualities that are by and by material to them as showed to social uniqueness and self-order hypothesis (Cunningham 2008, Kunze, Böhm et al. 2011). Backes-Gellner and Veen (2009) summarized that age heterogeneity can adversely influence profitability and productivity distresses, dissimilarities in the values in and inclinations of diverse age sets. It has been demonstrated that productivity and efficiency reducing clashes and conflicts are for the most due to the existence of “generation gaps” (McMillan-Capehart 2006, Backes-Gellner and Veen 2009).

Firms are not adequately employing the talents of old specialist workers owing to false stereotype beliefs and assumptions that they are expensive, more inclined to health issues, cannot conform to workplace changes and new technology, perform ineffectively, as opposed to the younger employees and result in decreased yield on training investments (Graen 2003, Algahtani 2013). The study on simple production technology by (Hamilton, Nickerson et al. 2004) demonstrated that groups with more diversity in age were expressively less gainful and less productive. This result is steady with perceptions by (Kulik and Roberson 2008) that retail stores with more age diversity among its employees tend to be less profitable. However, (Childs, Losey et al. 2005) had revealed that there was no distinct relationship found between age diversity and work performance. It has been observed seen from numerous studies that more old employee are as productive, profitable and skilful as young ones. Therefore, a heterogeneous age group of employees would be more creative, dynamic and gainful than a homogeneous age group (Williams and O’Reilly III 1998).

2.4. Ethnicity

Alongside the development in differing qualities, it has been an extension in the act of work gatherings by and large, with the objective of utilizing more support, hobby and joint effort to make and improve both representative fulfilment and business execution. Regardless of the way that the method for workforce structure is expeditiously ending up being more blended as far as age, sexual orientation, ethnicity, comparable hobby and level of instruction have been expanding the effect such kind of differing qualities in instructive establishments (Watson, Johnson et al. 2002). The increase of multiethnic groups in businesses is due to the increase in multicultural norms of the society and it also encompasses educational, family based, and religion based groups.

Graen (2003) revealed that the differences in ethnic attributes were good predictor of team scores, could be concluded that the advantage of having more ethnically different views for solving problem in the team lead to in increased team performance after the teams had learned how to utilize these differences optimally to gain competitive advantage. However, the growth of pressure groups could leverage or decrease these problems to minimal level. According to Østergaard, Timmermans et al. (2011), ethnicity can be used as a substitution for social foundation and assorted qualities in ethnicity can be relied upon to make certain for inventive execution, since it expands the points of view and perceptions in the firm (Rothman, Lipset et al. 2003). Besides, in view of Østergaard, Timmermans et al. (2011) concentrate a few levels of diversity in ethnicity may be sure related with development, high level of diversity in ethnicity may be negative since it can make conflict and clashes because of social grouping (Herring, Tsui et al. 2005). Ethnically different groups displayed poor performance than homogeneous groups (Jackson, Joshi et al. 2003). D'Netto and Sohal (1999), multiethnic groups were found to be less consistent and reliable than teams; multicultural and diverse groups may have a lower positive impact on group performance than the team performance. The setting of the workplace has huge impact over the effect of diversity on performance. Ethnically differing groups lead to more inventiveness and advancement because of learning opportunities (Frink, Robinson et al. 2003, Graen 2003). A sensible level of ethnic diversity has no impact on the business outcomes of the groups specifically sales revenue, profit and market share through an abnormal level of ethnic diversity enhanced business performance (Fleischmann, Robbins et al. 2009). A comparable positive effect of ethnic diversity on sales, efficiency, market share, creativity and innovativeness was depicted by Kulik and Roberson (2008) and the performance of the multidisciplinary teams in oil and gas industry by Herring, Tsui et al. (2005). Choi and Rainey (2010) perceived no association between ethnic diversity and sales income, customer satisfaction, consumer loyalty and sales profitability.
2.5. Educational Background

Watson, Johnson et al. (2002) found that businesses normally dismiss utilizing employees whose preparation, experience, or education is judged to be deficient. Then again, other than that, Fleischmann, Robbins et al. (2009). According to Watson, Johnson et al. (2002), the employers normally reject to hire those employees whose trainings, work experience or level of education is judged to be insufficient for specific job position. So, this is implied that education background is important to employees. Employees cannot find a well matched job and perform well without a sufficient education background. Fleischmann, Robbins et al. (2009) also revealed that different levels of education and varieties of educational certifications may assume different flexible wage rates. For instance, the occupations accessible to those with working knowledge however do not have certified degree might vary from the individuals who have such education level.

According to Østergaard, Timmermans et al. (2011), an individual will be more beneficial and imaginative based upon the level of its training. The advanced education the individual specialist accomplish, the more gainful and element the worker will be. Childs, Losey et al. (2005) found that urban groups with higher degree of tertiary instruction level pros will empower people of all training level have higher income. A percentage of the analysts have found that an expansion in metro commitment Hamilton, Nickerson et al. (2004) or a decrease in crime rates is associated with higher level of education. (Fleischmann, Robbins et al. 2009). Choi and Rainey (2010) also found that a more prominent portion of educated workforces in a city mean higher financial development in that region.

3. Research Methodology

This study has been directed on the variables identifying with diversity that will prompt quality administration in banking industry. A decent research outline ensures data to be gathered is pertinent and valuable to direct the research arrange all the more adequately and productively. Information for research can be gathered by two fundamental sources which incorporate essential information and auxiliary information (Cooper, Schindler et al. 2006). Data collected from both sources will be used to answer the developed hypothesis and research questions in this study. Causal study has been conducted to find the cause and effect relationship among the variables.

All the banks of Lahore is the target population and the sample size for this study is major banks in Lahore. Questionnaire used for this research was constructed by adopting and modifying different questionnaires of related studies. Random probability sampling technique was used to collect data from the employees of the banks. Five point Likert scale questionnaire was used to record the responses of the respondents. Questionnaires were personally distributed to the valid respondents and they were requested to fill up the questionnaire properly. A total of 230 questionnaires were distributed and 203 were collected after proper response. Regression analysis was run using SPSS after testing the Pearson correlation test for data results.

The following regression model has been analysed:

\[
\text{Employee performance} = \beta_0 + \beta_1 \text{Gender} + \beta_2 \text{Age} + \beta_3 \text{Ethnicity} + \beta_4 \text{Education} + E
\]

Where

- Employee performance is dependent variable and Gender, Age, Ethnicity and Education are independent variables
- \( \beta_0 \) is regression intercept
- \( \beta_1, \beta_2, \beta_3 \) and \( \beta_4 \) are regression coefficients of dependent variables.
- E is error term

4. Data Analysis and Discussion

The collected data was entered into SPSS-21 and the below results were extracted

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Frequency</th>
<th>Percentage</th>
<th>Cumulative Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>20-25</td>
<td>12</td>
<td>5.9</td>
<td>5.9</td>
</tr>
<tr>
<td>26-30</td>
<td>70</td>
<td>34.5</td>
<td>40.4</td>
</tr>
<tr>
<td>31-35</td>
<td>63</td>
<td>31.1</td>
<td>71.5</td>
</tr>
<tr>
<td>36-40</td>
<td>41</td>
<td>20.2</td>
<td>91.7</td>
</tr>
<tr>
<td>41 &amp; above</td>
<td>17</td>
<td>8.3</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>203</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

The above Table 1 shows the age characteristics of the respondents. From the total 203 respondents 34.5% are within the age group of 26-30, while 71.5% are cumulatively are below or equal to the age of 40 years. The results shows that a relatively high percentage of the workforce is in their active productive years. It further explains that the recruitment policy the banks is consistent with contemporary requirements, which emphasizes recruitment of relatively younger and mature people.
The results of Pearson correlation coefficients show significant values and all are significant at 1% level of significance. There is moderate positive correlation among all the variables taken for this study, so we can proceed for further regression analysis to find the causal relation between the variables.

The ANOVA table is showing highly significant value of goodness of fit test. So we reject null hypothesis and conclude that this model is good fit and can be used for future forecasting.

From the Table above the coefficient of Gender Diversity is highly significant and is positively effecting Employee Performance in Pakistani banks. These results are in conformity with the prior studies. One unit increase in gender diversity will increase the performance of employees by .328 units and vice versa. Age Diversity has negative but highly significant impact on Employee Performance and is in line with the previous research findings. One unit change in age diversity will cause decrease of .136 in the dependent variable. Our results approve those researchers who advocate negative relation of age diversity on employee performance (McMillan-Capehart 2006). In case of Ethnicity it has highly significant positive impact on the performance and productivity of the employees in banking sector of Pakistan. Educational Diversity is having positive and significant influence on the Employee performance. The all independent variables taken in this study have highly significant impact on the dependent variables and more importantly these are in accordance with previous literature.

5. Significance of the Study

The importance of this study has been explained by Choi and Rainey (2010) diversity would result in synergistic and collaborative performance of the team when members are able to understand each other and accept the differences among them, take advantage from experiences, awareness and viewpoints of each other. Through powerful and liberal correspondence, colleagues of assorted workforce would have the capacity to evaluate issues, circumstances and their ideal arrangement from different points of view, decide social desires of colleagues and make a common social reality, to find out and clarify generally synergistic option reasonable arrangements fittingly, and set up settled upon traditions and standards for communication among colleagues. (Adler 1986,
Jackson, Joshi et al. (2003, Choi and Rainey 2010). Some organizations have adopted different initiatives to manage diversity as an important way to improve the ability of diverse workforce groups to work together effectively and efficiently and some degree of empirical research has demonstrated that diversity can improve outcome and performance of the employee and organization if it is properly managed (Childs, Losey et al. 2005).

The finest outcome of this research is to help the top management of Pakistani industries and workers from different background to the information in this study in accessing the value and the impact of workforce diversity on employee and organizational performance.

### 6. Conclusion and Recommendation

Sometimes diversity is connected with adequacy and sometimes it is viewed as negative to organization and employee performance and frequently it has insignificant impact (Jackson, Joshi et al. 2003). Anyhow, the results of this study provides guidelines for the management of diversity and suggests that organization managers are not willing to see and locate an immediate positive association between workforce heterogeneity and organizational effectiveness. As an option, the impacts are required to be controlled by the procedures that firm takes after and by how different members and association pioneers respond to and deal with the workforce diversity in a productive approach to upgrade representative and hierarchical execution. Subsequently, joint examination endeavors to decide the unforeseen variables that can mild workforce diversity to create positive results. This necessities to see completely the many-sided quality of the diversity wonder and the vast volume of information included in its examination while directing a top to bottom study in particular commercial ventures.

The Ministry of Trade and Industry or Trade Unions is expected to find a way to conduct more research in the same field taking different scenarios while keeping an eye on recruitment of the employees and their remuneration especially, so as that diverse workforce can result in productivity and enhanced organization positive outcomes. The study may also be conducted on the minority groups like physically impaired employees working in organizations. Comparable studies should also be directed and investigated on the other existing issues in HR Management to give contextual, accurate and sufficient solutions to the problems associated with these issues in Human Resource Management.

### References


