4. Gender, Diversity and Indigeneity
Competitive

Diversity climate as a mediator of organisational trust

ABSTRACT: *This paper investigates the role that diversity climate plays in the relationship between diversity management efforts and the trust that workers have in management and in their colleagues. Data were drawn from a study of 500 randomly selected New Zealand employees. The results show that trust in management is strongly related to a positive climate for diversity and trust in co-workers is somewhat related. They indicate that diversity management activities enhance trust when they contribute to a positive climate for diversity but there are risks when they don't.*

Keywords: diversity management, diversity at work, valuing diversity

Introduction

The relationship between diversity management activities and business outcomes is a vital concern in an increasingly diverse society. In this paper, we examine the role of diversity climate in promoting employee trust in management and in their co-workers. Diversity climate is understood as an intervening variable that transmits diversity management into outcomes that are valuable to employees and their organisation. It reflects an organisational context in which people feel included, respected and treated fairly. Our goal for this paper is to understand the role it plays in diversity management in New Zealand organisations, taking advantage of a national survey that enables us to test mediational hypotheses. We start by outlining the business case for diversity, then review studies and quantitative measures of diversity climate. We then explain our data set, present our mediation analyses and offer our conclusions.

The Business Case for Diversity

In the management literature, the term 'diversity' is used to describe individual demographic differences (e.g., gender, ethnicity, culture, age and disability) as well as a range of other, less-obvious variables, such as personality, values, attitudes towards diversity, and prior life experiences (Harrison, Price & Bell, 1991; Milliken & Martins, 1996). A substantial body of literature has

emerged endorsing the 'business case for diversity' (BCFD) (e.g., Cox, 1993, 2001; Prasad & Mills 2000; Rutherford & Ollerearnshaw, 2002). Advocates of the BCFD assert that employees from diverse backgrounds, when managed effectively, improve organisational performance because they increase the pool of task-relevant knowledge, skills, information and perspectives that work groups have at their disposal to meet organisational outcomes (e.g. Cox 1993, 2001; Green & Kirton, 2009; Jackson & Joshi 2004; Keller, 2001; Kirton & Greene, 2005; Konrad, 2003; Richard et al. 2003; Richard et al. 2004; Thomas, 1990; Williams & O'Reilly, 1998).

Some suggest that proactive diversity management is now vital for organisations, not only to promote social inclusion, but for business reasons (e.g. Lattimer, 1998). The contrasting view is that increased demographic diversity has negative effects on social integration and communication within organisations, and carries the potential to increase levels of conflict (e.g. Williams & O'Reilly, 1998). The potential for negative consequences from work-group heterogeneity has been demonstrated in numerous studies, and includes miscommunication, increased tension, lowered group cohesion, misunderstandings, lower employee satisfaction and increased turnover (e.g. Jackson & Joshi, 2004; Jehn & Bezrukova, 2004; Milliken & Martins 1996; Roberge & van Dick, 2010). In an often-cited review, Joshi and Roh (2007) conclude that a fairly equal number of studies report positive and negative effects for race/ethnicity diversity within organisations. The results of the research on diversity management are far from clear-cut and we need an orientation to this field that openly acknowledges this, and seeks to find out why.

The role of Diversity Climate

In this context, there is a growing interest in the notion of the climate for diversity in organisations (e.g. Christian, Porter & Moffitt, 2006). Mor-Barak, Cherin and Berkman (1998) define diversity climate as employees' shared perceptions of the degree to which a firm is thought to utilize fair employee policies and socially integrate underrepresented employees into the work setting. Consistent with organisational climate research (Reichers & Schneider, 1990; Schneider, 1990), Cox (1993)

suggests that organisations can create a positive climate for diversity by establishing specific policy and management approaches that emphasise the value and acceptability of diversity. To this end, several elements need to be in place. At the interpersonal and group/intergroup levels, prejudice, stereotyping and conflict must be effectively minimised. At the level of the organisation, diversity must be visibly supported – i.e. minority employees should be represented in higher-level roles and there should be no institutional bias that benefits some groups/individuals over others. These actions, in theory, should create a pro-diversity climate in which all workers are treated respectfully and have equal access to opportunities for advancement (Ely & Thomas, 2001; McKay et al., 2007; McKay, Avery & Morris, 2009; Thomas & Ely, 1996, 2001).

A growing number of studies illustrate how the diversity climate of a company impacts on various employee and organisational measures, including job satisfaction (Hofhuis, van der Zee, & Otten, 2012), organisational commitment (Buttner, Lowe, & Billings-Harris, 2012), employees' feelings of empowerment (Wolfson, Kraiger & Finkelstein, 2011), employee turnover (Chrobot-Mason & Aramovich, 2013), and job performance (Hicks-Clarke & Iles, 2000; McKay et al., 2007; McKay, Avery, & Morris, 2009). It has been proposed that diversity climate facilitates these positive outcomes because it reflects, creates and maintains perceptions among employees that their organisation values them and will treat them fairly (Eisenberger et al., 2001). In turn, these perceptions engender a sense of reciprocity among workers, which promotes trust in their colleagues (Konrad, 2003; Kulik & Roberson, 2008). Moreover, this sense of trust promotes organisational commitment as workers expect that their employer will treat them fairly and will be more likely to support their career goals (Buttner, Lowe & Billings-Harris, 2012). In contrast, unsupportive or 'hostile' diversity climates discourage commitment as employees may feel excluded and start to distrust their employer (Ely, Padavic & Thomas, 2012).

The measurement of diversity climate

Like other complex attitudinal variables (Cronbach & Meehl, 1955), there is no single component of diversity climate and it cannot be directly observed. It must be assessed using measures designed to capture people's perspectives. Several measures to assess diversity climate have emerged, which tap into various aspects of diversity climate.

Bean et al.'s (2001) *Diversity Climate Survey* comprises 15 questions and 15 statements that assess the degree to which individuals feel they are treated with respect and dignity at work, that they have equal opportunities for training and career advancement, and that inclusion is treated as an organisational norm and standard. Kossek and Zonia's (1993) *Diversity Climate Scale* contains 20 items which assess the extent to which the respondent's organisation respects difference and offers support to women and minorities. Montei et al.'s (1996) *Attitudes Toward Diversity Scale* measures not so much what organisations do to create a positive climate for diversity, but respondents' attitudes towards diversity – including their attitudes towards having co-workers and supervisors who are members of minority groups, and their attitudes towards hiring and promoting minority-group members. Mor-Barak and Cherin (1998) have developed a 14-item inclusion-exclusion scale covering three domains identified as important for promoting inclusion: work-group involvement, influence in decision making, and access to communication and information resources. Hegarty and Dalton's (1995) *Organisational Diversity Inventory* (ODI) comprises 20 items that assess the existence of discrimination, diversity management efforts, and support given to minorities. Hicks-Clarke and Iles (2000) have developed a *Positive Climate for Diversity* (PCFD) *Scale*, which includes questions on the availability of policy support, recognition and support for diversity, and the extent to which equity is promoted throughout the organisation. McKay et al. (2007) have created a relatively economical scale which captures the key elements of diversity climate. Items assess the extent to which respondents believe their organisation treats them fairly, their managers respect all employees, their top leaders are committed to diversity and their company maintains a diversity-friendly work environment. Thus, several methods have emerged to measure diversity climate. They are based on the view that a pro-diversity or positive climate for diversity (PCFD) can be understood as a positive psychological response to diversity management efforts in an organisation, entailing a sense that

individuals (regardless of background) will experience a feeling of inclusion, and be treated fairly in decision making around rewards and advancement.

Diversity climate and trust

A key aspect, if not the central aspect, of a pro-diversity climate, then, is that individuals perceive that they can rely on their employer to treat them fairly. This is enhanced when people see that their colleagues are treated the same way as themselves, without prejudice or stereotyping. Such perceptions help to create a sense of inclusion and a shared identity throughout the organisation. It has been suggested that such a climate, in turn, facilitates positive outcomes for employers because a strong sense of trust encourages reciprocity and commitment on the part of workers (Eisenberger et al., 2001). McAllister (1995) defined interpersonal trust between managers and workers as the "individual's belief in, and willingness to act on the words, actions, and decisions of another" (p.25). Within social exchanges, trustworthy behaviour consists of such actions as showing consideration and sensitivity towards others. Austin and Vancouver (1996) underline the need for leaders to show genuine concern for subordinates' well-being in order for trust to develop. Research suggests that gradual and diverse exchanges over time create trust (Blau, 1964) and when individuals genuinely trust their leaders this is likely to strongly influence their perceptions and behaviour (Ashley & Gelfand, 2012). In the area of diversity management, Ely and Thomas's (2001) qualitative exploration of the conditions under which cultural diversity enhances or detracts from work-group functioning in organisations identifies perceptions of fairness as crucial to team work. They report that central to maintaining a sense of fairness is an environment in which employees feel safe to express their views on diversity and trust their colleagues to respond constructively.

It seems highly likely that trust will decrease if employees perceive that their employer does not 'walk the talk' when it comes to diversity management. In a recent paper by Avery at al. (2013), data drawn from a sample of 360 students at a small university showed that transparency and trust are important to building and maintaining the perception that the university is committed to its stated diversity

goals. When students perceived that the university was genuinely committed to meeting its stated diversity goals, this decreased their perceptions of ethnic and racial tensions on campus. However, when they perceived that the university was not committed to its stated diversity goals, this was related to several negative outcomes – such as higher perceptions of hostility between students and higher personal discrimination. The authors concluded that when universities do not live up to their stated diversity goals, this diminishes trust. Such a study emphasises the importance of trust for creating and maintaining a positive climate for diversity.

Besides trust in management, another element of a positive climate for diversity, suggests Cox (1993), is a sense of trust between co-workers. Supporting this, Ely, Padavic and Thomas (2012) analysed longitudinal data from 496 retail-bank branches to investigate racial dynamics, and majorities and minorities' assessments of their organisational climate. They observed that collaboration and innovation in work groups (which are business benefits) relied upon trust between co-workers. Sharing personal ideas and suggestions can be risky. If employees believe they will be rejected by others (i.e. they do not trust them to accept their views), they are less likely to do so. A positive climate for diversity is therefore supported by trust across hierarchical layers *and* among co-workers (Ely & Thomas, 2001; McKay et al., 2007; Thomas & Ely, 1996, 2001). Based on these studies, and the measures of diversity climate described above, we suggest that interpersonal trust should be closely linked to a PCFD in organisations. This will relate to both trust in management and among workers. We therefore propose two hypotheses:

Hypothesis 1: Perceptions of a PCFD will be significantly and positively related to trust in management.

Hypothesis 2: Perceptions of a PCFD will be significantly and positively related to trust in colleagues.

Data and method

We collected data in 2010 using computer-assisted telephone interviews (CATI) of 500 randomly selected New Zealand employees, of which 485 responses are useable. The phone survey allowed us to ensure equal numbers of men and women participated, as well as ethnic subgroups that are normally underrepresented in survey research. The survey is the most representative so far of NZ employee experiences of, and attitudes to, diversity. The interviews took, on average, 20 minutes to complete. To be included in the study, participants needed to be employees aged 18 and over, have worked for their employer for at least 6 months, in a firm with a minimum of 10 employees. The weighted response rate was 71%. This high response rate may be attributed to a combination of factors, including the professionalism of the interview team as well as a willingness on the part of participants to discuss their employment-related experiences (a topic that is personally meaningful to them). The majority (75.4%) were permanent, full-time employees, while 17.2% were permanent part-time employees, 3% were employed full-time on a fixed-term contract, 4% were employed part-time on a fixed-term contract, and 0.4% were casual, part-time employees. On average, the employees had been with their current organisation for 9.4 years with a range from 6 months to 42 years. On average, they work 40.74 hours a week, with a range from 2 to 85 hours. Their mean age is 46.91 years, ranging from 18 to 80 years. Some 50% of respondents are male and 50% female, which is close to their actual proportions in the NZ workforce at the time of the survey (51.7% to 48.3%). Ethnic groups are also included according to their current proportions in the New Zealand workforce: NZ European/Pākehā (66.6%), Māori (13.6%), Pasifika (5.6%), and Other (14.0%). Māori were New Zealand's first settlers, arriving several hundred years ahead of the European colonisation of New Zealand in the nineteenth century, while Pasifika is a term used to describe individuals who have migrated to New Zealand from such Pacific countries as Samoa, Tonga, and the Cook Islands, largely since the Second World War. The Other category represents workers of any other ethnic identity, the largest groups of which are Chinese and Indians, who tend to have arrived in New Zealand since the early 1990s. We used SPSS to analyse the data. Other aspects of these data have been presented in

earlier papers (Houkamau & Boxall, 2011, 2013). Here we focus specifically on the mediating role of diversity climate.

Measures and analytical procedures

The survey included questions designed to measure organisational efforts to create a pro-diversity climate and a range of employee attitudes (Houkamau & Boxall 2011). We developed a set of indexes after reviewing literature on specific policies, procedures and initiatives applied to diversity management around the world. The first index contained items on *Diversity Vision* (official policies that organisations have in place to address and manage EEO and diversity). For example, we asked respondents to tell us whether their organisation had a written EEO or Diversity Policy, specific EEO or diversity goals, messages directed at employees on its website or in employee newsletters that emphasise the importance of EEO and diversity, messages directed to the public through its marketing and advertising material (website, brochures and posters) that emphasise the importance of EEO and diversity, and art work, decorations or objects in its work environment that emphasise the importance of EEO and diversity. An index was then developed for *Diversity Support* activities. For example, we asked respondents to tell us whether their organisation employed a person to look after EEO and/or diversity issues, or had a Human Resource Department which looks after EEO and diversity issues, and whether there was any funding dedicated to meeting EEO or diversity goals. We enquired about the existence of recruitment targets for women and for minorities (e.g. ethnic minorities or people with disabilities), about mentoring programmes for women and minorities, about training for employees in diversity and EEO issues, and about opportunities for employees to say what they think about EEO and diversity issues (e.g. through employee surveys and suggestion boxes).

Our third index was a measure of *Family-Friendly Work Practices* (FFWP), such as the ability to take time off work when necessary for caregiving (e.g. of children, elderly or other dependants), the existence of flexible start-and-finish times for employees with caregiving responsibilities, the ability to work from home for employees who need it, permanent part-time work for people who cannot

work full-time, and parental-leave provisions above the legal minimum requirements.   Finally, we constructed an index around *Proactive EEO Practices*, which concern the environment for people with disabilities, how organisations support those suffering from some kind of bullying or sexual harassment, and three practices that are valuable for people with low English literacy or who have arrived in NZ from a non-Anglo environment. We think of these as proactive practices or 'going the extra mile' as our society becomes more ethnically and ideologically diverse.

Diversity Climate, our mediating variable, was measured using McKay and Avery's four-item scale (scored on a five-point Likert Scale). Items included: "I trust [the Company] to treat me fairly," "[The Company] maintains a diversity-friendly work environment," "[The Company] respects the views of people like me," and "Top leaders demonstrate a visible commitment to diversity." The Cronbach alpha for diversity climate is 0.893.

The outcome variables, *Trust in Management* and *Trust in Co-workers*, were assessed through Cook and Wall's (1980) 12-item scale, a measure that assesses the extent of an individual's faith in the abilities and intentions of others. Example items include: "Management where I work is sincere in its attempts to meet the workers' point of view",   "I feel quite confident that my organisation will always treat me fairly", "If I got into difficulty at work, I know my workmates would try to help me out", and "Most of my work mates can be relied upon to do as they say they will do". Cronbach alphas for trust in management and trust in workers are 0.898 and 0.846, respectively.

We used path analysis (IBM SPSS AMOS 19) to test the proposition (expressed in hypothesis 1 and 2) that diversity management activities, as measured by our four indexes, would predict the trust outcomes via the mediating role of diversity climate. As reported elsewhere (Houkamau & Boxall, 2011), regression analysis showed that diversity support activities did not predict trust and so this particular index was not included in the path analyses. The tests for mediation involved bootstrapping (Bollen & Stine, 1990; Shrout & Bolger, 2002). We calculated 95% bias-corrected bootstrap confidence intervals for the indirect effect, which is the product of the effect of the independent

variable on diversity climate and the effect of diversity climate on the outcome variable. If the confidence interval does not contain zero, we can legitimately conclude that the effect of the independent variable is mediated through diversity climate. Maximum likelihood was used for estimation of parameters.

Results

The results of the path analysis are shown in Table 1, where the mediating effects are indicated, and in Figures 1 and 2, where the significant paths are depicted. Table 2 reports the direct effects for trust in management and Table 3 for trust in co-workers.

Tables 1, 2 and 3 about here

Figures 1 and 2 about here

Overall, both hypotheses are well supported. Diversity climate mediates the relationships between the independent variables of diversity vision, family-friendly employment practices and proactive EEO practices and the dependent variables of trust in management and co-workers. In the case of trust in management, diversity climate completely mediates the impact of family-friendly work practices and proactive EEO practices while partially mediating the impact of diversity vision. In other words, diversity vision has both indirect and direct impacts, an important point on which we will comment further. In the case of trust in co-workers, diversity climate completely mediates the impact of diversity vision and family-friendly work practices while partially mediating the impact of proactive EEO practices, which also have a direct impact. Aside from these results, which show the importance of creating a positive climate for diversity as a transmission mechanism for an organisation's efforts in diversity management, three other findings need to be noted. First, the larger predictors of a positive climate for diversity are the practices relating to flexible employment (one extra practice enhances diversity climate by 0.18 of a unit) and tangible assistance to minority groups (0.16), rather than the policy symbols (0.06). The 'heavy traffic' in terms of creating a better climate for diversity is running through the actions, not the words (Houkamau & Boxall, 2011). Second, diversity climate has a much bigger impact on trust in management than it does on trust in co-workers. An increase of

one point in diversity climate on a 5-point scale is associated with 0.88 of a unit increase in trust in

management while the effect on trust in co-workers is only 0.29 of a unit. Third, Table 2 shows a

significant and negative relationship between diversity vision and trust in management. This indicates

the impact on trust (-.068, p = .001) when organisations are active in promulgating a diversity vision

but these efforts are not accompanied by an improvement in the diversity climate. In other words, in

this situation, trust is likely to decline. We will now take these points further.

Discussion and conclusions

The literature on diversity management is increasingly placing emphasis on the psychological and

social variables that intervene between managerial intentions and organisational outcomes. In this

context, a positive climate for diversity is not a set of practices, *per se*, but an important attitudinal

assessment on the part of individuals, conveying the sense that they feel included and feel confident

that they can trust management to treat them on their merits, without prejudice or stereotyping. This

particular study helps to show why such a climate is important and underlines the risks when

management heads down the diversity track without improving the climate for diversity. As we

hypothesised, diversity climate is a mediator between management's activities in the diversity arena

and the critical variables of trust in management and co-workers. It is an important transmission

mechanism in creating a more inclusive workplace. Our study shows that the impact of diversity

climate on trust in management is particularly compelling. This is understandable because the

behaviours being observed are those of managers, at different levels in the organisation. Managers

bring policies on diversity to life, or kill them off through inconsistent actions, a principle that is as

relevant here as it is in human resource management more generally (Purcell & Hutchinson 2007).

The much smaller impact of a positive climate for diversity on trust in co-workers must reflect the fact

that workers bring their own attitudes into the workplace and act them out in their own way. There is

some improvement in trust in colleagues when management fosters a better climate for diversity, and

when there is a greater number of proactive EEO practices, but how much individuals are influenced

in their collegial relationships by management behaviours is a moot point. What we can say with

some certainty is that New Zealand workers are judging their managers on their actions and their co-workers on theirs. Our evidence points to different judgements based on which person is the object of trust. Future research must therefore probe more closely into the web of social ties among individuals within an organisation that can impact on the diversity climate. Much more needs to be done on managerial processes but we clearly need to understand more about the factors that promote trust between workers. What are the main variables and how do they compare with those we associate with trust in management? What needs to happen to promote strong feelings of trust between colleagues when workplaces are diverse, as is very much the case in New Zealand? Another key lesson concerns the dangers of policies unsupported by consistent actions. This was revealed in the negative impact on trust when vision is not transmitted into a better diversity climate. As Avery et al. (2013) have shown, formal intentions that indicate strong support for diversity need to be adhered to. If managers claim to support diversity while employees witness processes that belie this position, this will most likely promote scepticism and cynicism. If managers do not want to run the risk of creating distrust, there should be a clear 'line of sight' from what the company says about how diverse employees should be treated and how managers actually treat them. To successfully manage diversity, leaders need to personally commit to championing diversity through their behaviour in the workplace. If, for example, an organisation has a policy of promoting flexible working arrangements, but managers actively discourage employees from using it, they will lose confidence in management. Our research supports the view that managers must be authentic, taking care that public commitments to diversity have tangible impacts on everyday decisions. This can, of course, be difficult to achieve when production and/or financial pressures are intense. Finally, by testing the direct and indirect relationships between diversity management activities and trust in management, our study helps to explain the mixed results of research on the relationship between diversity policies and organisational outcomes. Too much emphasis on declaring good intentions, or on copying 'best practices' from elsewhere, without understanding how these values or commitments can be transmitted throughout the culture is likely to account for at least part of the problem. In this area, as in other areas of management, visionary leadership without a careful process of implementation is dangerous.

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Table 1: Summary of path analysis

Outcome	Independent Variable	Mediation via Diversity Climate	Effect on Diversity Climate est (95% C.I.)	Indirect Effect on Outcome est (95% C.I.)	Total Effect on Outcome est (95% C.I.)	Effect of Diversity Climate on Outcome est (95% C.I.)
Trust in management	Diversity Vision	Partial	.06 (.02, .10)**	.05 (.02, .09)**	-.02 (-.07, .03)	.88 (.80, .95)***
	Proactive EEO practices	Complete favoured	.16 (.10, .21)***	.14 (.09, .19)***	.16 (.09, .22)***	
	Family-friendly employment practices	Complete favoured	.18 (.12, .23)***	.16 (.11, .21)***	.16 (.10, .23)***	
Trust in co-workers	Diversity Vision	Complete favoured	.06 (.02, .10)**	.02 (.01, .03)***	.00 (-.03, .04)	.29 (.20, .38)***
	Proactive EEO practices	Partial favoured	.16 (.10, .21)***	.05 (.03, .07)***	.08 (.03, .13)***	
	Family-friendly employment practices	Complete favoured	.18 (.12, .23)***	.05 (.03, .08)***	.05 (.01, .10)*	

Table 2 Regression weights with 95% bias-corrected confidence intervals from 2000 bootstrap samples and corresponding p-values

Parameter			Estimate	Lower	Upper	P
Diversity vision	-→	Diversity climate	.056	.019	.097	.002
Family friendly employment practices	-→	Diversity climate	.177	.124	.233	.001
Proactive EEO practices	-→	Diversity climate	.157	.101	.211	.001
Diversity vision	-→	Trust in manager	-.068	-.104	-.035	.001
Proactive EEO practices	-→	Trust in manager	.018	-.028	.060	.453
Family friendly employment practices	-→	Trust in manager	.008	-.041	.055	.768
Diversity climate	-→	Trust in manager	.877	.803	.948	.001

Table 3 Regression weights with 95% bias-corrected confidence intervals from 2000 bootstrap samples and corresponding p-values

Parameter			Estimate	Lower	Upper	P
Diversity vision	-→	Diversity climate	.056	.019	.097	.002
Family friendly employment practices	-→	Diversity climate	.177	.124	.233	.001
Proactive EEO practices	-→	Diversity climate	.157	.101	.211	.001
Diversity vision	-→	Trust in co-workers	-.016	-.046	.019	.363
Proactive EEO practices	-→	Trust in co-workers	.037	-.010	.082	.125
Family friendly employment practices	-→	Trust in co-workers	.003	-.041	.052	.904
Diversity climate	-→	Trust in co-workers	.288	.197	.377	.001

Figure 1: Diversity climate as a mediator between diversity management and trust in management
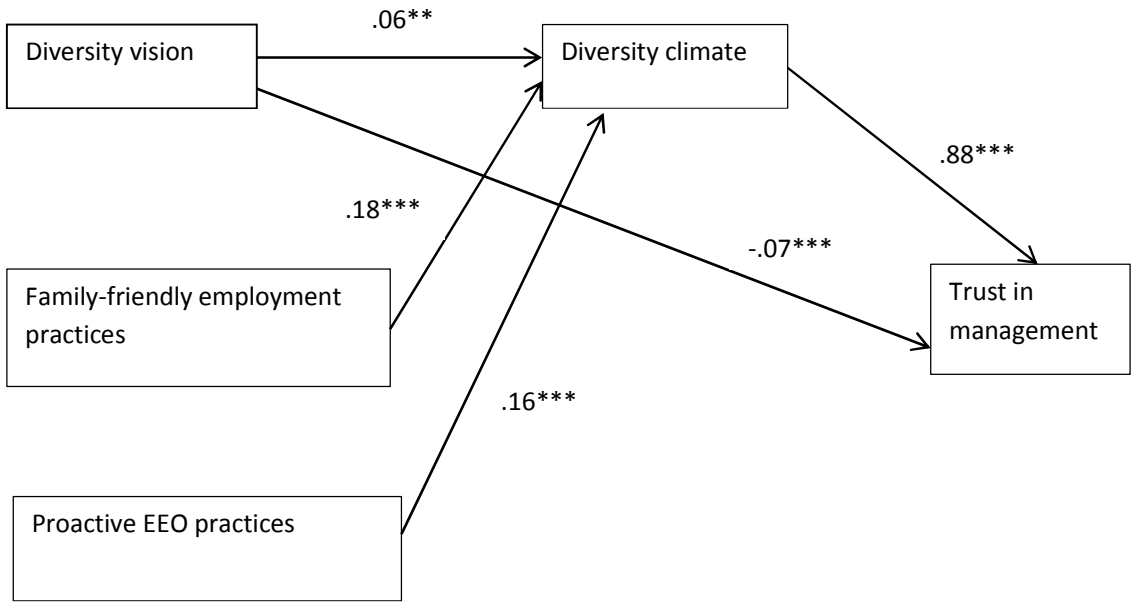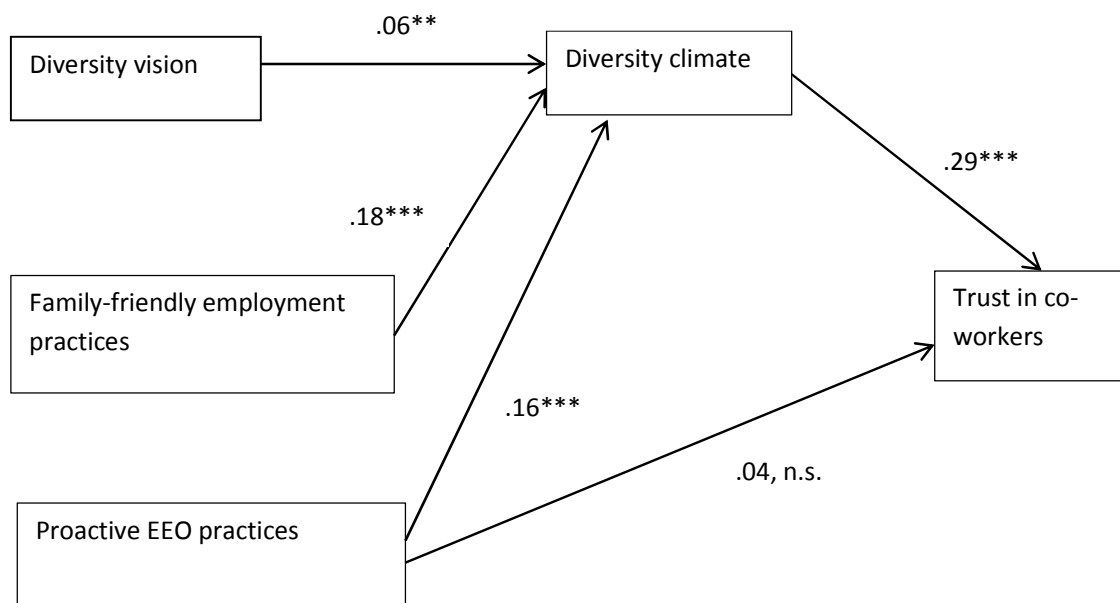
Figure 2: Diversity climate as a mediator between diversity management and trust in co-workers

4. Gender, Diversity and Indigeneity
Competitive

Diversity climate as a mediator of organisational trust

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4. Gender, Diversity and Indigeneity
Competitive

Diversity climate as a mediator of organisational trust

ABSTRACT: *This paper investigates the role that diversity climate plays in the relationship between diversity management efforts and the trust that workers have in management and in their colleagues. Data were drawn from a study of 500 randomly selected New Zealand employees. The results show that trust in management is strongly related to a positive climate for diversity and trust in co-workers is somewhat related. They indicate that diversity management activities enhance trust when they contribute to a positive climate for diversity but there are risks when they don't.*

Keywords: diversity management, diversity at work, valuing diversity

Introduction

The relationship between diversity management activities and business outcomes is a vital concern in an increasingly diverse society. In this paper, we examine the role of diversity climate in promoting employee trust in management and in their co-workers. Diversity climate is understood as an intervening variable that transmits diversity management into outcomes that are valuable to employees and their organisation. It reflects an organisational context in which people feel included, respected and treated fairly. Our goal for this paper is to understand the role it plays in diversity management in New Zealand organisations, taking advantage of a national survey that enables us to test mediational hypotheses. We start by outlining the business case for diversity, then review studies and quantitative measures of diversity climate. We then explain our data set, present our mediation analyses and offer our conclusions.

The Business Case for Diversity

In the management literature, the term 'diversity' is used to describe individual demographic differences (e.g., gender, ethnicity, culture, age and disability) as well as a range of other, less-obvious variables, such as personality, values, attitudes towards diversity, and prior life experiences

(Harrison, Price & Bell, 1991; Milliken & Martins, 1996). A substantial body of literature has emerged endorsing the 'business case for diversity' (BCFD) (e.g., Cox, 1993, 2001; Prasad & Mills 2000; Rutherford & Ollerearnshaw, 2002). Advocates of the BCFD assert that employees from diverse backgrounds, when managed effectively, improve organisational performance because they increase the pool of task-relevant knowledge, skills, information and perspectives that work groups have at their disposal to meet organisational outcomes (e.g. Cox 1993, 2001; Green & Kirton, 2009; Jackson & Joshi 2004; Keller, 2001; Kirton & Greene, 2005; Konrad, 2003; Richard et al. 2003; Richard et al. 2004; Thomas, 1990; Williams & O'Reilly, 1998).

Some suggest that proactive diversity management is now vital for organisations, not only to promote social inclusion, but for business reasons (e.g. Lattimer, 1998). The contrasting view is that increased demographic diversity has negative effects on social integration and communication within organisations, and carries the potential to increase levels of conflict (e.g. Williams & O'Reilly, 1998). The potential for negative consequences from work-group heterogeneity has been demonstrated in numerous studies, and includes miscommunication, increased tension, lowered group cohesion, misunderstandings, lower employee satisfaction and increased turnover (e.g. Jackson & Joshi, 2004; Jehn & Bezrukova, 2004; Milliken & Martins 1996; Roberge & van Dick, 2010). In an often-cited review, Joshi and Roh (2007) conclude that a fairly equal number of studies report positive and negative effects for race/ethnicity diversity within organisations. The results of the research on diversity management are far from clear-cut and we need an orientation to this field that openly acknowledges this, and seeks to find out why.

The role of Diversity Climate

In this context, there is a growing interest in the notion of the climate for diversity in organisations (e.g. Christian, Porter & Moffitt, 2006). Mor-Barak, Cherin and Berkman (1998) define diversity climate as employees' shared perceptions of the degree to which a firm is thought to utilize fair employee policies and socially integrate underrepresented employees into the work setting. Consistent

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with organisational climate research (Reichers & Schneider, 1990; Schneider, 1990), Cox (1993) suggests that organisations can create a positive climate for diversity by establishing specific policy and management approaches that emphasise the value and acceptability of diversity. To this end, several elements need to be in place. At the interpersonal and group/intergroup levels, prejudice, stereotyping and conflict must be effectively minimised. At the level of the organisation, diversity must be visibly supported – i.e. minority employees should be represented in higher-level roles and there should be no institutional bias that benefits some groups/individuals over others. These actions, in theory, should create a pro-diversity climate in which all workers are treated respectfully and have equal access to opportunities for advancement (Ely & Thomas, 2001; McKay et al., 2007; McKay, Avery & Morris, 2009; Thomas & Ely, 1996, 2001).

A growing number of studies illustrate how the diversity climate of a company impacts on various employee and organisational measures, including job satisfaction (Hofhuis, van der Zee, & Otten, 2012), organisational commitment (Buttner, Lowe, & Billings-Harris, 2012), employees' feelings of empowerment (Wolfson, Kraiger & Finkelstein, 2011), employee turnover (Chrobot-Mason & Aramovich, 2013), and job performance (Hicks-Clarke & Iles, 2000; McKay et al., 2007; McKay, Avery, & Morris, 2009). It has been proposed that diversity climate facilitates these positive outcomes because it reflects, creates and maintains perceptions among employees that their organisation values them and will treat them fairly (Eisenberger et al., 2001). In turn, these perceptions engender a sense of reciprocity among workers, which promotes trust in their colleagues (Konrad, 2003; Kulik & Roberson, 2008). Moreover, this sense of trust promotes organisational commitment as workers expect that their employer will treat them fairly and will be more likely to support their career goals (Buttner, Lowe & Billings-Harris, 2012). In contrast, unsupportive or 'hostile' diversity climates discourage commitment as employees may feel excluded and start to distrust their employer (Ely, Padavic & Thomas, 2012).

The measurement of diversity climate

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Like other complex attitudinal variables (Cronbach & Meehl, 1955), there is no single component of diversity climate and it cannot be directly observed. It must be assessed using measures designed to capture people's perspectives. Several measures to assess diversity climate have emerged, which tap into various aspects of diversity climate.

Bean et al.'s (2001) *Diversity Climate Survey* comprises 15 questions and 15 statements that assess the degree to which individuals feel they are treated with respect and dignity at work, that they have equal opportunities for training and career advancement, and that inclusion is treated as an organisational norm and standard. Kossek and Zonia's (1993) *Diversity Climate Scale* contains 20 items which assess the extent to which the respondent's organisation respects difference and offers support to women and minorities. Montei et al.'s (1996) *Attitudes Toward Diversity Scale* measures not so much what organisations do to create a positive climate for diversity, but respondents' attitudes towards diversity – including their attitudes towards having co-workers and supervisors who are members of minority groups, and their attitudes towards hiring and promoting minority-group members. Mor-Barak and Cherin (1998) have developed a 14-item inclusion-exclusion scale covering three domains identified as important for promoting inclusion: work-group involvement, influence in decision making, and access to communication and information resources. Hegarty and Dalton's (1995) *Organisational Diversity Inventory* (ODI) comprises 20 items that assess the existence of discrimination, diversity management efforts, and support given to minorities. Hicks-Clarke and Iles (2000) have developed a *Positive Climate for Diversity* (PCFD) *Scale*, which includes questions on the availability of policy support, recognition and support for diversity, and the extent to which equity is promoted throughout the organisation. McKay et al. (2007) have created a relatively economical scale which captures the key elements of diversity climate. Items assess the extent to which respondents believe their organisation treats them fairly, their managers respect all employees, their top leaders are committed to diversity and their company maintains a diversity-friendly work environment. Thus, several methods have emerged to measure diversity climate. They are based on the view that a pro-diversity or positive climate for diversity (PCFD) can be understood as a positive psychological response to diversity management efforts in an organisation, entailing a sense that

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individuals (regardless of background) will experience a feeling of inclusion, and be treated fairly in decision making around rewards and advancement.

Diversity climate and trust

A key aspect, if not the central aspect, of a pro-diversity climate, then, is that individuals perceive that they can rely on their employer to treat them fairly. This is enhanced when people see that their colleagues are treated the same way as themselves, without prejudice or stereotyping. Such perceptions help to create a sense of inclusion and a shared identity throughout the organisation. It has been suggested that such a climate, in turn, facilitates positive outcomes for employers because a strong sense of trust encourages reciprocity and commitment on the part of workers (Eisenberger et al., 2001).   McAllister (1995) defined interpersonal trust between managers and workers as the "individual's belief in, and willingness to act on the words, actions, and decisions of another" (p.25). Within social exchanges, trustworthy behaviour consists of such actions as showing consideration and sensitivity towards others.   Austin and Vancouver (1996) underline the need for leaders to show genuine concern for subordinates' well-being in order for trust to develop.   Research suggests that gradual and diverse exchanges over time create trust (Blau, 1964) and when individuals genuinely trust their leaders this is likely to strongly influence their perceptions and behaviour (Ashley & Gelfand, 2012).   In the area of diversity management, Ely and Thomas's (2001) qualitative exploration of the conditions under which cultural diversity enhances or detracts from work-group functioning in organisations identifies perceptions of fairness as crucial to team work. They report that central to maintaining a sense of fairness is an environment in which employees feel safe to express their views on diversity and trust their colleagues to respond constructively.

It seems highly likely that trust will decrease if employees perceive that their employer does not 'walk the talk' when it comes to diversity management. In a recent paper by Avery at al. (2013), data drawn from a sample of 360 students at a small university showed that transparency and trust are important to building and maintaining the perception that the university is committed to its stated diversity

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goals. When students perceived that the university was genuinely committed to meeting its stated diversity goals, this decreased their perceptions of ethnic and racial tensions on campus. However, when they perceived that the university was not committed to its stated diversity goals, this was related to several negative outcomes – such as higher perceptions of hostility between students and higher personal discrimination. The authors concluded that when universities do not live up to their stated diversity goals, this diminishes trust. Such a study emphasises the importance of trust for creating and maintaining a positive climate for diversity.

Besides trust in management, another element of a positive climate for diversity, suggests Cox (1993), is a sense of trust between co-workers. Supporting this, Ely, Padavic and Thomas (2012) analysed longitudinal data from 496 retail-bank branches to investigate racial dynamics, and majorities and minorities' assessments of their organisational climate. They observed that collaboration and innovation in work groups (which are business benefits) relied upon trust between co-workers. Sharing personal ideas and suggestions can be risky. If employees believe they will be rejected by others (i.e. they do not trust them to accept their views), they are less likely to do so. A positive climate for diversity is therefore supported by trust across hierarchical layers *and* among co-workers (Ely & Thomas, 2001; McKay et al., 2007; Thomas & Ely, 1996, 2001). Based on these studies, and the measures of diversity climate described above, we suggest that interpersonal trust should be closely linked to a PCFD in organisations. This will relate to both trust in management and among workers. We therefore propose two hypotheses:

Hypothesis 1: Perceptions of a PCFD will be significantly and positively related to trust in management.

Hypothesis 2: Perceptions of a PCFD will be significantly and positively related to trust in colleagues.

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Data and method

We collected data in 2010 using computer-assisted telephone interviews (CATI) of 500 randomly selected New Zealand employees, of which 485 responses are useable. The phone survey allowed us to ensure equal numbers of men and women participated, as well as ethnic subgroups that are normally underrepresented in survey research. The survey is the most representative so far of NZ employee experiences of, and attitudes to, diversity. The interviews took, on average, 20 minutes to complete. To be included in the study, participants needed to be employees aged 18 and over, have worked for their employer for at least 6 months, in a firm with a minimum of 10 employees. The weighted response rate was 71%. This high response rate may be attributed to a combination of factors, including the professionalism of the interview team as well as a willingness on the part of participants to discuss their employment-related experiences (a topic that is personally meaningful to them). The majority (75.4%) were permanent, full-time employees, while 17.2% were permanent part-time employees, 3% were employed full-time on a fixed-term contract, 4% were employed part-time on a fixed-term contract, and 0.4% were casual, part-time employees. On average, the employees had been with their current organisation for 9.4 years with a range from 6 months to 42 years. On average, they work 40.74 hours a week, with a range from 2 to 85 hours. Their mean age is 46.91 years, ranging from 18 to 80 years. Some 50% of respondents are male and 50% female, which is close to their actual proportions in the NZ workforce at the time of the survey (51.7% to 48.3%). Ethnic groups are also included according to their current proportions in the New Zealand workforce: NZ European/Pākehā (66.6%), Māori (13.6%), Pasifika (5.6%), and Other (14.0%). Māori were New Zealand's first settlers, arriving several hundred years ahead of the European colonisation of New Zealand in the nineteenth century, while Pasifika is a term used to describe individuals who have migrated to New Zealand from such Pacific countries as Samoa, Tonga, and the Cook Islands, largely since the Second World War. The Other category represents workers of any other ethnic identity, the largest groups of which are Chinese and Indians, who tend to have arrived in New Zealand since the early 1990s. We used SPSS to analyse the data. Other aspects of these data have been presented in

earlier papers (Houkamau & Boxall, 2011, 2013). Here we focus specifically on the mediating role of diversity climate.

Measures and analytical procedures

The survey included questions designed to measure organisational efforts to create a pro-diversity climate and a range of employee attitudes (Houkamau & Boxall 2011). We developed a set of indexes after reviewing literature on specific policies, procedures and initiatives applied to diversity management around the world. The first index contained items on *Diversity Vision* (official policies that organisations have in place to address and manage EEO and diversity). For example, we asked respondents to tell us whether their organisation had a written EEO or Diversity Policy, specific EEO or diversity goals, messages directed at employees on its website or in employee newsletters that emphasise the importance of EEO and diversity, messages directed to the public through its marketing and advertising material (website, brochures and posters) that emphasise the importance of EEO and diversity, and art work, decorations or objects in its work environment that emphasise the importance of EEO and diversity. An index was then developed for *Diversity Support* activities. For example, we asked respondents to tell us whether their organisation employed a person to look after EEO and/or diversity issues, or had a Human Resource Department which looks after EEO and diversity issues, and whether there was any funding dedicated to meeting EEO or diversity goals. We enquired about the existence of recruitment targets for women and for minorities (e.g. ethnic minorities or people with disabilities), about mentoring programmes for women and minorities, about training for employees in diversity and EEO issues, and about opportunities for employees to say what they think about EEO and diversity issues (e.g. through employee surveys and suggestion boxes).

Our third index was a measure of *Family-Friendly Work Practices* (FFWP), such as the ability to take time off work when necessary for caregiving (e.g. of children, elderly or other dependants), the existence of flexible start-and-finish times for employees with caregiving responsibilities, the ability to work from home for employees who need it, permanent part-time work for people who cannot

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work full-time, and parental-leave provisions above the legal minimum requirements. Finally, we constructed an index around *Proactive EEO Practices*, which concern the environment for people with disabilities, how organisations support those suffering from some kind of bullying or sexual harassment, and three practices that are valuable for people with low English literacy or who have arrived in NZ from a non-Anglo environment. We think of these as proactive practices or 'going the extra mile' as our society becomes more ethnically and ideologically diverse.

Diversity Climate, our mediating variable, was measured using McKay and Avery's four-item scale (scored on a five-point Likert Scale). Items included: "I trust [the Company] to treat me fairly," "[The Company] maintains a diversity-friendly work environment," "[The Company] respects the views of people like me," and "Top leaders demonstrate a visible commitment to diversity." The Cronbach alpha for diversity climate is 0.893.

The outcome variables, *Trust in Management* and *Trust in Co-workers*, were assessed through Cook and Wall's (1980) 12-item scale, a measure that assesses the extent of an individual's faith in the abilities and intentions of others. Example items include: "Management where I work is sincere in its attempts to meet the workers' point of view", "I feel quite confident that my organisation will always treat me fairly", "If I got into difficulty at work, I know my workmates would try to help me out", and "Most of my work mates can be relied upon to do as they say they will do". Cronbach alphas for trust in management and trust in workers are 0.898 and 0.846, respectively.

We used path analysis (IBM SPSS AMOS 19) to test the proposition (expressed in hypothesis 1 and 2) that diversity management activities, as measured by our four indexes, would predict the trust outcomes via the mediating role of diversity climate. As reported elsewhere (Houkamau & Boxall, 2011), regression analysis showed that diversity support activities did not predict trust and so this particular index was not included in the path analyses. The tests for mediation involved bootstrapping (Bollen & Stine, 1990; Shrout & Bolger, 2002). We calculated 95% bias-corrected bootstrap confidence intervals for the indirect effect, which is the product of the effect of the independent

variable on diversity climate and the effect of diversity climate on the outcome variable. If the confidence interval does not contain zero, we can legitimately conclude that the effect of the independent variable is mediated through diversity climate. Maximum likelihood was used for estimation of parameters.

Results

The results of the path analysis are shown in Table 1, where the mediating effects are indicated, and in Figures 1 and 2, where the significant paths are depicted. Table 2 reports the direct effects for trust in management and Table 3 for trust in co-workers.

Tables 1, 2 and 3 about here

Figures 1 and 2 about here

Overall, both hypotheses are well supported. Diversity climate mediates the relationships between the independent variables of diversity vision, family-friendly employment practices and proactive EEO practices and the dependent variables of trust in management and co-workers. In the case of trust in management, diversity climate completely mediates the impact of family-friendly work practices and proactive EEO practices while partially mediating the impact of diversity vision. In other words, diversity vision has both indirect and direct impacts, an important point on which we will comment further. In the case of trust in co-workers, diversity climate completely mediates the impact of diversity vision and family-friendly work practices while partially mediating the impact of proactive EEO practices, which also have a direct impact. Aside from these results, which show the importance of creating a positive climate for diversity as a transmission mechanism for an organisation's efforts in diversity management, three other findings need to be noted. First, the larger predictors of a positive climate for diversity are the practices relating to flexible employment (one extra practice enhances diversity climate by 0.18 of a unit) and tangible assistance to minority groups (0.16), rather than the policy symbols (0.06). The 'heavy traffic' in terms of creating a better climate for diversity is running through the actions, not the words (Houkamau & Boxall, 2011). Second, diversity climate has a much bigger impact on trust in management than it does on trust in co-workers. An increase of

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one point in diversity climate on a 5-point scale is associated with 0.88 of a unit increase in trust in

management while the effect on trust in co-workers is only 0.29 of a unit. Third, Table 2 shows a

significant and negative relationship between diversity vision and trust in management. This indicates

the impact on trust (-.068, p = .001) when organisations are active in promulgating a diversity vision

but these efforts are not accompanied by an improvement in the diversity climate. In other words, in

this situation, trust is likely to decline. We will now take these points further.

Discussion and conclusions

The literature on diversity management is increasingly placing emphasis on the psychological and

social variables that intervene between managerial intentions and organisational outcomes. In this

context, a positive climate for diversity is not a set of practices, *per se*, but an important attitudinal

assessment on the part of individuals, conveying the sense that they feel included and feel confident

that they can trust management to treat them on their merits, without prejudice or stereotyping. This

particular study helps to show why such a climate is important and underlines the risks when

management heads down the diversity track without improving the climate for diversity. As we

hypothesised, diversity climate is a mediator between management's activities in the diversity arena

and the critical variables of trust in management and co-workers. It is an important transmission

mechanism in creating a more inclusive workplace. Our study shows that the impact of diversity

climate on trust in management is particularly compelling. This is understandable because the

behaviours being observed are those of managers, at different levels in the organisation. Managers

bring policies on diversity to life, or kill them off through inconsistent actions, a principle that is as

relevant here as it is in human resource management more generally (Purcell & Hutchinson 2007).

The much smaller impact of a positive climate for diversity on trust in co-workers must reflect the fact

that workers bring their own attitudes into the workplace and act them out in their own way. There is

some improvement in trust in colleagues when management fosters a better climate for diversity, and

when there is a greater number of proactive EEO practices, but how much individuals are influenced

in their collegial relationships by management behaviours is a moot point. What we can say with

some certainty is that New Zealand workers are judging their managers on their actions and their co-workers on theirs. Our evidence points to different judgements based on which person is the object of trust. Future research must therefore probe more closely into the web of social ties among individuals within an organisation that can impact on the diversity climate. Much more needs to be done on managerial processes but we clearly need to understand more about the factors that promote trust between workers. What are the main variables and how do they compare with those we associate with trust in management? What needs to happen to promote strong feelings of trust between colleagues when workplaces are diverse, as is very much the case in New Zealand? Another key lesson concerns the dangers of policies unsupported by consistent actions. This was revealed in the negative impact on trust when vision is not transmitted into a better diversity climate. As Avery et al. (2013) have shown, formal intentions that indicate strong support for diversity need to be adhered to. If managers claim to support diversity while employees witness processes that belie this position, this will most likely promote scepticism and cynicism. If managers do not want to run the risk of creating distrust, there should be a clear 'line of sight' from what the company says about how diverse employees should be treated and how managers actually treat them. To successfully manage diversity, leaders need to personally commit to championing diversity through their behaviour in the workplace. If, for example, an organisation has a policy of promoting flexible working arrangements, but managers actively discourage employees from using it, they will lose confidence in management. Our research supports the view that managers must be authentic, taking care that public commitments to diversity have tangible impacts on everyday decisions. This can, of course, be difficult to achieve when production and/or financial pressures are intense. Finally, by testing the direct and indirect relationships between diversity management activities and trust in management, our study helps to explain the mixed results of research on the relationship between diversity policies and organisational outcomes. Too much emphasis on declaring good intentions, or on copying 'best practices' from elsewhere, without understanding how these values or commitments can be transmitted throughout the culture is likely to account for at least part of the problem. In this area, as in other areas of management, visionary leadership without a careful process of implementation is dangerous.

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Table 1: Summary of path analysis

Outcome	Independent Variable	Mediation via Diversity Climate	Effect on Diversity Climate est (95% C.I.)	Indirect Effect on Outcome est (95% C.I.)	Total Effect on Outcome est (95% C.I.)	Effect of Diversity Climate on Outcome est (95% C.I.)
Trust in management	Diversity Vision	Partial	.06 (.02, .10)**	.05 (.02, .09)**	-.02 (-.07, .03)	.88 (.80, .95)***
	Proactive EEO practices	Complete favoured	.16 (.10, .21)***	.14 (.09, .19)***	.16 (.09, .22)***	
	Family-friendly employment practices	Complete favoured	.18 (.12, .23)***	.16 (.11, .21)***	.16 (.10, .23)***	
Trust in co-workers	Diversity Vision	Complete favoured	.06 (.02, .10)**	.02 (.01, .03)***	.00 (-.03, .04)	.29 (.20, .38)***
	Proactive EEO practices	Partial favoured	.16 (.10, .21)***	.05 (.03, .07)***	.08 (.03, .13)***	
	Family-friendly employment practices	Complete favoured	.18 (.12, .23)***	.05 (.03, .08)***	.05 (.01, .10)*	

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Table 2 Regression weights with 95% bias-corrected confidence intervals from 2000 bootstrap samples and corresponding p-values

Parameter			Estimate	Lower	Upper	P
Diversity vision	-→	Diversity climate	.056	.019	.097	.002
Family friendly employment practices	-→	Diversity climate	.177	.124	.233	.001
Proactive EEO practices	-→	Diversity climate	.157	.101	.211	.001
Diversity vision	-→	Trust in manager	-.068	-.104	-.035	.001
Proactive EEO practices	-→	Trust in manager	.018	-.028	.060	.453
Family friendly employment practices	-→	Trust in manager	.008	-.041	.055	.768
Diversity climate	-→	Trust in manager	.877	.803	.948	.001

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Table 3 Regression weights with 95% bias-corrected confidence intervals from 2000 bootstrap samples and corresponding p-values

Parameter			Estimate	Lower	Upper	P
Diversity vision	-→	Diversity climate	.056	.019	.097	.002
Family friendly employment practices	-→	Diversity climate	.177	.124	.233	.001
Proactive EEO practices	-→	Diversity climate	.157	.101	.211	.001
Diversity vision	-→	Trust in co-workers	-.016	-.046	.019	.363
Proactive EEO practices	-→	Trust in co-workers	.037	-.010	.082	.125
Family friendly employment practices	-→	Trust in co-workers	.003	-.041	.052	.904
Diversity climate	-→	Trust in co-workers	.288	.197	.377	.001

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Figure 1: Diversity climate as a mediator between diversity management and trust in management
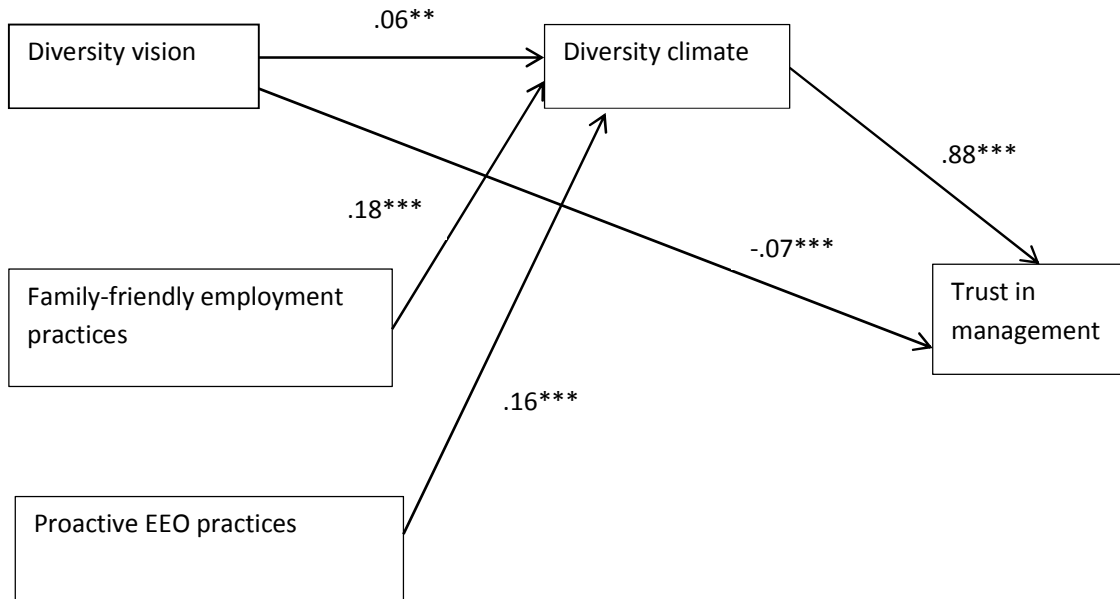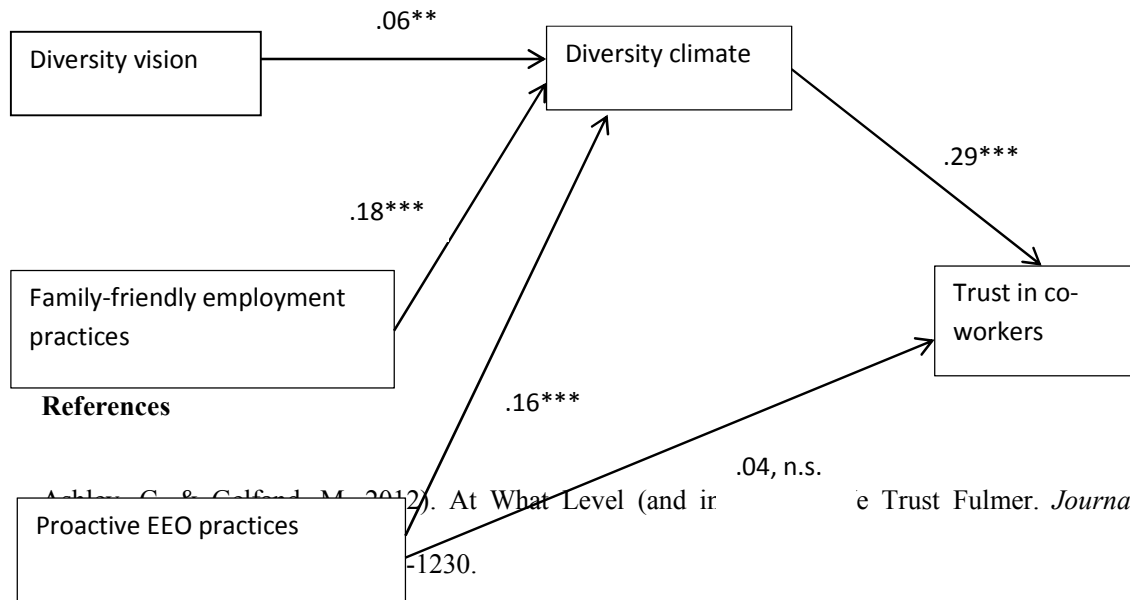
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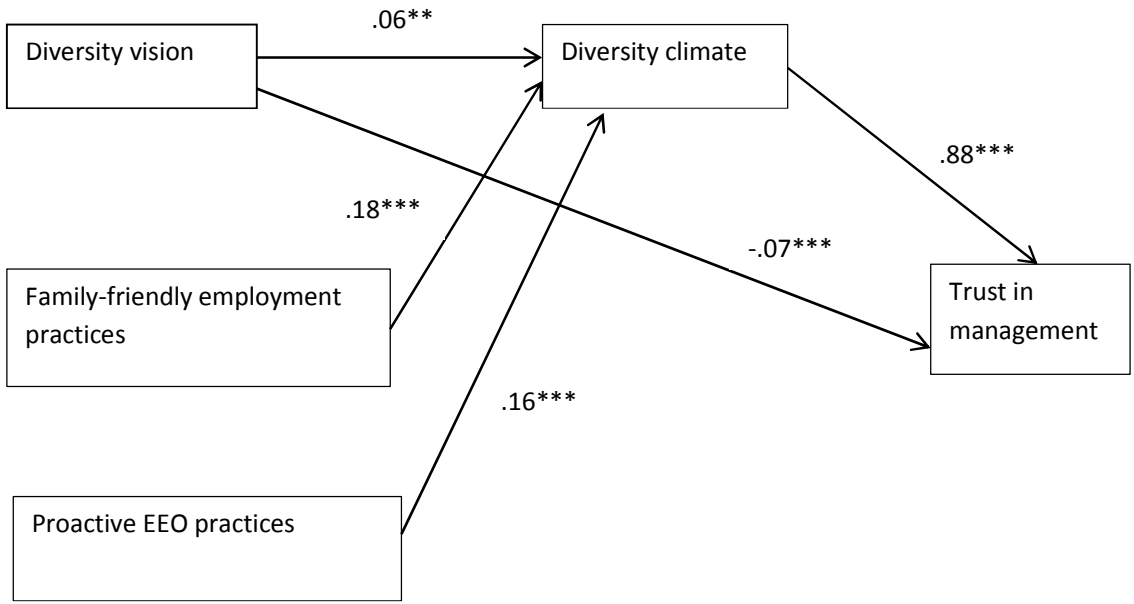

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Figure 2: Diversity climate as a mediator between diversity management and trust in co-workers