

The Business Case for Diversity in New Zealand: A review of selected literature

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ABSTRACT

This paper has two aims: The first is to discuss some of the salient factors shaping the ‘business case for diversity’ in New Zealand. A second aim is to review selected literature on this topic order to highlight areas in need of further research. Based on the review it is proposed the effectiveness of diversity management interventions may be contingent upon mediating variables specifically, the attitudes and characteristics of front line managers. While this general assertion has been made before, empirical support for this proposition is non-existent in the New Zealand context. The paper calls for further research into these mediating variables in order to respond effectively to New Zealand’s increasingly diverse workforce.

Keywords: diversity in the labour market; diversity management; multiculturalism and work; valuing diversity; work-place representation of diverse groups;

Workforce diversity in New Zealand: A background

The characteristics of the New Zealand workforce have changed considerably over the last decade (New Zealand Department of Internal Affairs, 2008; Department of Labour, 2007; Singham, 2006) and businesses are facing a range of unprecedented human resource challenges as a corollary (New Zealand Department of Labour, 2003).

Multiculturalism in New Zealand’s main business centres (Auckland and Wellington) has become noticeably more salient due to accelerated immigration from Asia, India, Africa and the Middle East (New Zealand Ministry of Social Development, 2009). The populations of minority ethnic groups in New Zealand are increasing at a faster rate than the historically dominant ethnic group New Zealand European/Pakeha (Statistics New Zealand, 2006, 2007, 2007a, 2008a, 2008b). Over the next 15 years

the Māori population is projected to increase by an average of 1.4 % a year, the Asian population by 3.4 % a year and the Pacific Island population by 2.4 % a year. During this period the European/Pakeha population is projected to increase by only 0.3% a year meaning that by 2026 the currently dominant ethnic group will comprise only 65% of the population - down from 72% in 2006 (Statistics New Zealand, 2006, 2009).

Alongside ethnic diversification, it is also important to note that over the next 30 years the proportion of the New Zealand workforce aged over 45 will increase markedly as the numbers of younger people entering the labour market are less than the numbers of those who are retiring (Statistics New Zealand, 2006). In addition, in 2006 women made up around 47% of the New Zealand workforce a higher percentage than ever before in New Zealand's history (EEO Trust, 2009; Statistics New Zealand, 2008).

The Business Case for Diversity in New Zealand

As a reflection of this accelerating demographic diversification the terms 'diversity', 'multiculturalism' and 'diversity management' are becoming more and more prominent in New Zealand government documentation - particularly in relation to socio-cultural processes and labour market trends (New Zealand Ministry of Social Development, 2009; New Zealand Department of Labour, 2003, 2004, 2005, 2007). The term diversity is often used in different ways however in general terms, diversity typically refers personal 'differences' relating to gender, ethnicity, culture, age and disability (see EEO Trust 2008; Milliken & Martins, 1996 ; Statistics New Zealand, 2001; Wilson, McLeod & Sathiyandra, 2004). Following this definition activities designed to respond effectively to a diverse workforce are often grouped under the umbrella label 'diversity management'. According to Milliken and Martins (1996) diversity management refers to the human resource management (HRM) techniques utilised to manage heterogeneous groups. Thomas and Ely (2001) extend this definition to describe diversity management as a way of responding to the changing

demographics of the labour force by adjusting workplace processes and practices to recognize different norms, values, goal priorities and interpersonal styles between individuals from different backgrounds.

In terms of diversity management techniques a number 'best practice' guidelines for human resource management have been produced by authors internationally (e.g. Arredondo, 1996; Greene & Kirton, 2009; Kossek, & Lobel, 1996; Layne, 2002; Mor Barak, 2005a, 2005b; Plummer, 2003; Porter, 1995; Sadri & Tran, 2002; Thomas & Ely, 1996, 2005a, 2005b; Wrench, 2007). From a comprehensive review of empirical research in this area Kossek and Pichler (2007) provide an outline of diversity management practices which have been shown to have a measurable impact on business outcomes. Apart from the establishment of a written Diversity Policy and Diversity Plan their recommendations include: targeted recruitment and affirmative action hiring for women and minorities, the provision of diversity training to all employees and the formation of networking and mentoring networks for minority employees and women. Other leading researchers in this field such as Thomas and Ely (1996) and Plummer (2003) emphasise the importance of overtly promoting diversity throughout the organisation (i.e. by highlighting that diversity is valued via the organisation's website, internal documentation and external marketing material).

These best practices have also been endorsed by the New Zealand Equal Employment/EEO Trust (New Zealand's largest employer collective established to promote equal opportunities in New Zealand organisations) which has used various tactics in recent years to encourage New Zealand businesses to proactively recruit, develop and retain employees from diverse backgrounds (EEO Trust, 2008). In a recent research report "*Diversity & Equality: Evidence of positive business outcomes and how to achieve them*" the Trust noted that diversity management should be a priority for all New Zealand businesses in light of the country's changing demographics (EEO Trust, 2008). The New Zealand Department of Labour (2003, 2004, 2005, 2007) has echoed this message in several reports which point to imminent skills shortages which will place pressure on New Zealand employers

to compete for skilled employees. In all these communications a very clear 'business case for diversity' is espoused (Rutherford & Ollerearnshaw, 2002).

The business case for diversity essentially views 'differences' between people as an asset that can be managed and manipulated in order to leverage the potential positive impact of diverse work groups (Prasad & Mills, 1997). Literally hundreds of on line articles and websites (often derived from non-academic sources and written by diversity consultants) have sprung up in recent years espousing the business case for diversity which proposes that hiring and recruiting diverse employee groups is good for business. Lower staff turnover, increased employee loyalty and creativity alongside improved opportunities to network with new communities of customers are among the benefits commonly cited (Aronson, 2002; Cox, 1993, 1994, 2001; EEO Trust Diversity Survey Report, 2005; Jackson & Joshi, 2004; Karsten, 2006; Keller, 2001; Kirton & Greene, 2005; Konrad, 2003; McMillan, Chadwick, & Dwyer, 2003; Richard, 2000; Thomas, R. 1990, 1999).

Although popular among some commentators the business case rhetoric has attracted criticism from those who argue the approach focuses more on how business can benefit from diversity than the moral case for improving the position of women and ethnic minorities within the workplace (Colling & Dickens, 1998; Dickens, 1994, 1999; Dickens & Liff, 1994). Other critics of the business case for diversity, including leading academics in this area, point to a lack of sound empirical research which clearly links diversity management interventions to tangible business outcomes (Kochan et al., 2003). Indeed, the literature relating to workforce diversity and business outcomes is inconsistent to say the least (Shaw & Barrett-Power, 1998). As the discussion below will demonstrate, by and large, academic studies in this field demonstrate more diverse groups do not automatically perform better, connect more effectively with their 'own communities' or feel more committed to their organizations (Millikin & Martins, 1996). In fact work place diversity can have negative effects as well as positive ones (Jehn, 1997; Jehn & Bezrukova, 2004; Jehn, Northcraft & Neale, 1999) and sometimes substantial financial investment in diversity interventions can have no significant benefits for a business at all (see Kochan et al., 2003 for a discussion).

In testimony to this, in an often cited literature review conducted by Williams and O'Reilly (1998) 40 years of diversity research covering more than 80 studies was examined. This review was a milestone as it provided a comprehensive evaluation of the diversity literature at the time. The overall conclusion of their review was that employee diversity in organisations brought about inconsistent outcomes as some companies report positive results while others report negative implications. In a follow up review, van Knippenberg and Schippers (2007) examined research conducted between 1997–2005 regarding the implications of demographic diversity for workplace performance. The authors drew similar conclusions: demographic diversity does not consistently lead to improved workplace outcomes. Some studies show diversity has a positive effect while others show diversity negatively impacts performance.

To collect local data the EEO Trust regularly surveys New Zealand businesses regarding their diversity practices. Data gathered tends to send somewhat mixed messages about the value of diversity for New Zealand employers. To ascertain what kinds of initiatives New Zealand businesses are using to respond to employee diversity, in 2005 the EEO Trust surveyed 487 New Zealand organisations which employed 331,676 workers (representing 20% of all employees in New Zealand at the time of the survey). They found that while the majority of larger organisations (86%) had a written EEO/diversity policy fewer organisations reported making substantial inroads into implementing those policies. Less than a quarter of respondents (23%) were able to link their diversity management practices to tangible benefits. Interestingly the main barrier reported to implementation of EEO strategies was a lack of commitment and support from senior management (EEO Trust, 2005).

While there is little empirical literature available which sheds light on why New Zealand employers are slow to implement their written EEO/Diversity policies a piece of research recently carried out by The Centre for Applied Cross-cultural – CACR (2007) suggests many remain sceptical about the 'benefits' of a diverse workforce. The CACR surveyed 100 Wellington employers (which together employed 395 migrants from 54 different nationalities) regarding their attitudes towards new migrant

employees. Many employers were reluctant to employ new migrants because they preferred employees who could 'fit into' their businesses. Some employers believed new migrants' cultural differences jeopardised the ability to 'fit into' their organisation and this placed unnecessary pressure on others within the organisation to accommodate those differences. Language barriers, lack of New Zealand cultural/social knowledge and lack of familiarity with local business norms were some of the specific factors that comprised the ability for new migrants to 'fit in'. While this study does not explain why some New Zealand employers fail to fully implement their written EEO/Diversity Plans, it does suggest that some employers see 'differences' as more problematic than beneficial.

Another reason why New Zealand employers may be reluctant to implement diversity interventions is that the benefits of such activities are simply not clear. At the present time there is little robust empirical research focused on measuring the outcomes of diversity interventions using a large sample of New Zealand employers. Many questions are therefore unanswered. How should New Zealand employers prioritise their responses to workforce diversity and management? What particular diversity management techniques are important? The next section reviews research on the impact of diversity management interventions on business outcomes. A comprehensive literature review is not possible here given the limitations of this paper therefore a selection of studies are reviewed in order to highlight key issues relevant to the New Zealand context.

Diversity management and business outcomes: A review of selected literature

Several empirical studies have shown that organisations that employ a diverse workforce experience benefits. For example Richard et al. (2004) found that organizations which employed equal numbers of men and women (as well as ethnic minorities) performed better than those with a demographically homogenous employee base. The authors concluded that diversity promoted creativity among staff which lead to greater ability to problem solve and innovate when required (also see Richard et al., 2003). Similarly Watson, Kumar, and Michaelson (1993) compared the problem solving abilities of

work groups who were homogeneous (in terms of gender, race, and ethnicity) with those who were heterogeneous. They found that while homogeneous groups produced better solutions at first (perhaps due to greater group cohesion) after a 17 week period groups which were heterogeneous were producing more innovative solutions to problems.

While these case studies demonstrate that group diversity may have positive effects on performance a substantial body of international research suggests employee diversity may actually hamper productivity when cultural differences lead to miscommunication and conflict between workers (e.g. Jehn & Bezrukova, 2004; Jehn, 1997; Jehn, Chadwick, Thatcher 1997; Jehn, Northcraft & Neale, 1999; Joshi & Roh, 2008; Pelled, Mannix & Neale; 2005, Phillips et al., 2004).

In response to these conflicting research findings Kochan et al., (2003) completed a five year study of the impact of employee diversity on business performance. The authors describe this research as the “largest field based research project” focussed on testing the business case for diversity to date. The researchers (all respected experts in their fields) explored diversity management practices in four major international businesses with a long history of promoting equality and diversity. The four case studies measured the relationship between diversity focussed human resource practices, specific business related outcomes and employee performance. Because of the scope of their research (and the fact this study subsumed four major case studies) their findings are reported here some detail.

Jehn and Bezrukova (cited in Kochan et al., 2003) conducted the first case study on a large international information processing firm with over 26,000 employees. This company had instigated an organisation wide strategic plan for promoting diversity by providing a diversity ‘taskforce’ (invested with the job of establishing targets and goals for minority groups) and establishing a Diversity Leadership Council (comprised of employees at every level and in every department of the company). To investigate the links between these interventions and business performance Jehn and Bezrukova (cited in Kochan et al., 2003) linked employee involvement in diversity initiatives and

actual performance measures (i.e. individual and team performance goals). Their analysis found no evidence for any direct effects of either racial or gender diversity on actual employee performance.

In the second case study Ely and Thomas (cited in Kochan et al., 2003) examined the retail branches of a large financial services firm which had a strong reputation for promoting the development of diverse employee groups. Included in their interventions were individual employee diversity plans (which specified ways in which each individual employee was required to demonstrably support diversity within the organisation). In addition, the company had a company-wide Diversity Council and had established accountability systems for regional managers (who had clear diversity objectives which they were required to meet as part of their own individual diversity plans). This company also employed aggressive recruitment programmes at recruiting minorities and ensured that minority employees received on going mentoring and support for their professional development. To test the link between these practices and business outcomes Ely and Thomas explored whether employee demographics effected their staff satisfaction, sales performance and success in attracting new clients. Overall they found that, despite the company's heavy investment in diversity programmes, gender diversity had no effects on performance while race was related to obtaining new customers in selected branches.

For the third case study Jackson and Joshi (cited in Kochan et al., 2003) examined the effects of employee diversity in a large international information processing company which had invested heavily in proactively increasing the proportions of women and minority employees for several decades. To study the link between diversity interventions and business outcomes they focused on the company's U.S. based employees working within the sales and service divisions (n = 12,606 employees). Their examination of the links between employee demographics, involvement in diversity interventions and sales performance showed no direct relationship between racial or gender diversity and employee performance. In the final case Levine, Leonard and Joshi (cited in Kochan et al., 2003) studied employee performance within a large America retail company which had a strong reputation for investing heavily in recruiting, developing and supporting ethnic minorities and

women. Similar to the previous cases, despite this company's efforts to promote diversity within their organisation no relationship between employee ethnicity, gender and sales performance was found.

In summing up these four cases Kochan et al. did not dismiss the notion that diversity focussed human resource practices were beneficial. Rather they suggested that promoting diversity may benefit organisations by reducing any potential interpersonal conflict that would have occurred if no interventions at all were in place. In addition they concluded that racial diversity may enhance performance business performance under certain conditions. In their view organisations which have cultures in which diversity is seen as opportunity to learn, develop and improve may be particularly conducive to leveraging positive business outcomes from their diverse employee base. In addition, they noted, the attitudes of front line managers appear to be important. Front line managers who show a genuine commitment to supporting diversity may foster a positive work culture which in turn fosters worker productivity and commitment.

Kochan et al.'s study can be credited for proposing a much more nuanced view of the business case for diversity and in doing so they have shed light upon why studies in this area yield inconsistent results. Diversity management research is dominated by studies which measure the relationships between employee demographics and employee performance without taking into account the way in which diversity management techniques are actually implemented and the role of front line managers in creating a supportive work environment for their employees (Thomas & Ely, 2001).

It appears that much more complex models of the relationship between workforce diversity and business outcomes are needed. For example, it could be that mediating variables, particularly the characteristics and leadership behaviours of front line managers, are the key to understanding the link between diversity and business outcomes (McKay, Avery & Morris, 2008). Further research into these potentially important mediating factors may be beneficial for New Zealand businesses given New Zealand's rapidly changing demographics demand organisations take a proactive response to managing diversity (EEO Trust, 2008, 2010).

Conclusion

Accelerating demographic diversification within the New Zealand workforce means the business case for diversity is an important factor for New Zealand businesses to consider – particularly if the claims of improved business performance are accurate. At the same time the solutions currently offered New Zealand employers concerned with diversity management are based more so on opinion and case studies rather than empirical research. While accelerating diversity may prompt some businesses to consider adjusting their management practices their efforts may be hampered by a lack of understanding of exactly how to best proceed. After reviewing selected literature in this area it is suggested that the understanding of the effectiveness of diversity interventions in New Zealand may be enhanced by an exploration of mediating factors. Specific research could examine the extent to which measurable employee performance outcomes relate to employees perceptions of their front line manager's skills and commitment. Further exploration in this area will elucidate the implications of these factors and may provide clearer incentives for businesses to take a more proactive approach to addressing current and future demographic changes.

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Alongside ethnic diversification, it is also important to note that over the next 30 years the proportion of the New Zealand workforce aged over 45 will increase markedly as the numbers of younger people entering the labour market are less than the numbers of those who are retiring (Statistics New Zealand, 2006). In addition, in 2006 women made up around 47% of the New Zealand workforce a higher percentage than ever before in New Zealand's history (EEO Trust, 2009; Statistics New Zealand, 2008).

The Business Case for Diversity in New Zealand

As a reflection of this accelerating demographic diversification the terms 'diversity', 'multiculturalism' and 'diversity management' are becoming more and more prominent in New Zealand government documentation - particularly in relation to socio-cultural processes and labour market trends (New Zealand Ministry of Social Development, 2009; New Zealand Department of Labour, 2003, 2004, 2005, 2007). The term diversity is often used in different ways however in general terms, diversity typically refers personal 'differences' relating to gender, ethnicity, culture, age and disability (see EEO Trust 2008; Milliken & Martins, 1996 ; Statistics New Zealand, 2001; Wilson, McLeod & Sathiyandra, 2004). Following this definition activities designed to respond effectively to a diverse workforce are often grouped under the umbrella label 'diversity management'. According to Milliken and Martins (1996) diversity management refers to the human resource management (HRM) techniques utilised to manage heterogeneous groups. Thomas and Ely (2001) extend this definition to describe diversity management as a way of responding to the changing

demographics of the labour force by adjusting workplace processes and practices to recognize different norms, values, goal priorities and interpersonal styles between individuals from different backgrounds.

In terms of diversity management techniques a number 'best practice' guidelines for human resource management have been produced by authors internationally (e.g. Arredondo, 1996; Greene & Kirton, 2009; Kossek, & Lobel, 1996; Layne, 2002; Mor Barak, 2005a, 2005b; Plummer, 2003; Porter, 1995; Sadri & Tran, 2002; Thomas & Ely, 1996, 2005a, 2005b; Wrench, 2007). From a comprehensive review of empirical research in this area Kossek and Pichler (2007) provide an outline of diversity management practices which have been shown to have a measurable impact on business outcomes. Apart from the establishment of a written Diversity Policy and Diversity Plan their recommendations include: targeted recruitment and affirmative action hiring for women and minorities, the provision of diversity training to all employees and the formation of networking and mentoring networks for minority employees and women. Other leading researchers in this field such as Thomas and Ely (1996) and Plummer (2003) emphasise the importance of overtly promoting diversity throughout the organisation (i.e. by highlighting that diversity is valued via the organisation's website, internal documentation and external marketing material).

These best practices have also been endorsed by the New Zealand Equal Employment/EEO Trust (New Zealand's largest employer collective established to promote equal opportunities in New Zealand organisations) which has used various tactics in recent years to encourage New Zealand businesses to proactively recruit, develop and retain employees from diverse backgrounds (EEO Trust, 2008). In a recent research report "*Diversity & Equality: Evidence of positive business outcomes and how to achieve them*" the Trust noted that diversity management should be a priority for all New Zealand businesses in light of the country's changing demographics (EEO Trust, 2008). The New Zealand Department of Labour (2003, 2004, 2005, 2007) has echoed this message in several reports which point to imminent skills shortages which will place pressure on New Zealand employers

to compete for skilled employees. In all these communications a very clear 'business case for diversity' is espoused (Rutherford & Ollerearnshaw, 2002).

The business case for diversity essentially views 'differences' between people as an asset that can be managed and manipulated in order to leverage the potential positive impact of diverse work groups (Prasad & Mills, 1997). Literally hundreds of on line articles and websites (often derived from non-academic sources and written by diversity consultants) have sprung up in recent years espousing the business case for diversity which proposes that hiring and recruiting diverse employee groups is good for business. Lower staff turnover, increased employee loyalty and creativity alongside improved opportunities to network with new communities of customers are among the benefits commonly cited (Aronson, 2002; Cox, 1993, 1994, 2001; EEO Trust Diversity Survey Report, 2005; Jackson & Joshi, 2004; Karsten, 2006; Keller, 2001; Kirton & Greene, 2005; Konrad, 2003; McMillan, Chadwick, & Dwyer, 2003; Richard, 2000; Thomas, R. 1990, 1999).

Although popular among some commentators the business case rhetoric has attracted criticism from those who argue the approach focuses more on how business can benefit from diversity than the moral case for improving the position of women and ethnic minorities within the workplace (Colling & Dickens, 1998; Dickens, 1994, 1999; Dickens & Liff, 1994). Other critics of the business case for diversity, including leading academics in this area, point to a lack of sound empirical research which clearly links diversity management interventions to tangible business outcomes (Kochan et al., 2003). Indeed, the literature relating to workforce diversity and business outcomes is inconsistent to say the least (Shaw & Barrett-Power, 1998). As the discussion below will demonstrate, by and large, academic studies in this field demonstrate more diverse groups do not automatically perform better, connect more effectively with their 'own communities' or feel more committed to their organizations (Millikin & Martins, 1996). In fact work place diversity can have negative effects as well as positive ones (Jehn, 1997; Jehn & Bezrukova, 2004; Jehn, Northcraft & Neale, 1999) and sometimes substantial financial investment in diversity interventions can have no significant benefits for a business at all (see Kochan et al., 2003 for a discussion).

In testimony to this, in an often cited literature review conducted by Williams and O'Reilly (1998) 40 years of diversity research covering more than 80 studies was examined. This review was a milestone as it provided a comprehensive evaluation of the diversity literature at the time. The overall conclusion of their review was that employee diversity in organisations brought about inconsistent outcomes as some companies report positive results while others report negative implications. In a follow up review, van Knippenberg and Schippers (2007) examined research conducted between 1997–2005 regarding the implications of demographic diversity for workplace performance. The authors drew similar conclusions: demographic diversity does not consistently lead to improved workplace outcomes. Some studies show diversity has a positive effect while others show diversity negatively impacts performance.

To collect local data the EEO Trust regularly surveys New Zealand businesses regarding their diversity practices. Data gathered tends to send somewhat mixed messages about the value of diversity for New Zealand employers. To ascertain what kinds of initiatives New Zealand businesses are using to respond to employee diversity, in 2005 the EEO Trust surveyed 487 New Zealand organisations which employed 331,676 workers (representing 20% of all employees in New Zealand at the time of the survey). They found that while the majority of larger organisations (86%) had a written EEO/diversity policy fewer organisations reported making substantial inroads into implementing those policies. Less than a quarter of respondents (23%) were able to link their diversity management practices to tangible benefits. Interestingly the main barrier reported to implementation of EEO strategies was a lack of commitment and support from senior management (EEO Trust, 2005).

While there is little empirical literature available which sheds light on why New Zealand employers are slow to implement their written EEO/Diversity policies a piece of research recently carried out by The Centre for Applied Cross-cultural – CACR (2007) suggests many remain sceptical about the 'benefits' of a diverse workforce. The CACR surveyed 100 Wellington employers (which together employed 395 migrants from 54 different nationalities) regarding their attitudes towards new migrant

employees. Many employers were reluctant to employ new migrants because they preferred employees who could 'fit into' their businesses. Some employers believed new migrants' cultural differences jeopardised the ability to 'fit into' their organisation and this placed unnecessary pressure on others within the organisation to accommodate those differences. Language barriers, lack of New Zealand cultural/social knowledge and lack of familiarity with local business norms were some of the specific factors that comprised the ability for new migrants to 'fit in'. While this study does not explain why some New Zealand employers fail to fully implement their written EEO/Diversity Plans, it does suggest that some employers see 'differences' as more problematic than beneficial.

Another reason why New Zealand employers may be reluctant to implement diversity interventions is that the benefits of such activities are simply not clear. At the present time there is little robust empirical research focused on measuring the outcomes of diversity interventions using a large sample of New Zealand employers. Many questions are therefore unanswered. How should New Zealand employers prioritise their responses to workforce diversity and management? What particular diversity management techniques are important? The next section reviews research on the impact of diversity management interventions on business outcomes. A comprehensive literature review is not possible here given the limitations of this paper therefore a selection of studies are reviewed in order to highlight key issues relevant to the New Zealand context.

Diversity management and business outcomes: A review of selected literature

Several empirical studies have shown that organisations that employ a diverse workforce experience benefits. For example Richard et al. (2004) found that organizations which employed equal numbers of men and women (as well as ethnic minorities) performed better than those with a demographically homogenous employee base. The authors concluded that diversity promoted creativity among staff which lead to greater ability to problem solve and innovate when required (also see Richard et al., 2003). Similarly Watson, Kumar, and Michaelson (1993) compared the problem solving abilities of

work groups who were homogeneous (in terms of gender, race, and ethnicity) with those who were heterogeneous. They found that while homogeneous groups produced better solutions at first (perhaps due to greater group cohesion) after a 17 week period groups which were heterogeneous were producing more innovative solutions to problems.

While these case studies demonstrate that group diversity may have positive effects on performance a substantial body of international research suggests employee diversity may actually hamper productivity when cultural differences lead to miscommunication and conflict between workers (e.g. Jehn & Bezrukova, 2004; Jehn, 1997; Jehn, Chadwick, Thatcher 1997; Jehn, Northcraft & Neale, 1999; Joshi & Roh, 2008; Pelled, Mannix & Neale; 2005, Phillips et al., 2004).

In response to these conflicting research findings Kochan et al., (2003) completed a five year study of the impact of employee diversity on business performance. The authors describe this research as the “largest field based research project” focussed on testing the business case for diversity to date. The researchers (all respected experts in their fields) explored diversity management practices in four major international businesses with a long history of promoting equality and diversity. The four case studies measured the relationship between diversity focussed human resource practices, specific business related outcomes and employee performance. Because of the scope of their research (and the fact this study subsumed four major case studies) their findings are reported here some detail.

Jehn and Bezrukova (cited in Kochan et al., 2003) conducted the first case study on a large international information processing firm with over 26,000 employees. This company had instigated an organisation wide strategic plan for promoting diversity by providing a diversity ‘taskforce’ (invested with the job of establishing targets and goals for minority groups) and establishing a Diversity Leadership Council (comprised of employees at every level and in every department of the company). To investigate the links between these interventions and business performance Jehn and Bezrukova (cited in Kochan et al., 2003) linked employee involvement in diversity initiatives and

actual performance measures (i.e. individual and team performance goals). Their analysis found no evidence for any direct effects of either racial or gender diversity on actual employee performance.

In the second case study Ely and Thomas (cited in Kochan et al., 2003) examined the retail branches of a large financial services firm which had a strong reputation for promoting the development of diverse employee groups. Included in their interventions were individual employee diversity plans (which specified ways in which each individual employee was required to demonstrably support diversity within the organisation). In addition, the company had a company-wide Diversity Council and had established accountability systems for regional managers (who had clear diversity objectives which they were required to meet as part of their own individual diversity plans). This company also employed aggressive recruitment programmes at recruiting minorities and ensured that minority employees received on going mentoring and support for their professional development. To test the link between these practices and business outcomes Ely and Thomas explored whether employee demographics effected their staff satisfaction, sales performance and success in attracting new clients. Overall they found that, despite the company's heavy investment in diversity programmes, gender diversity had no effects on performance while race was related to obtaining new customers in selected branches.

For the third case study Jackson and Joshi (cited in Kochan et al., 2003) examined the effects of employee diversity in a large international information processing company which had invested heavily in proactively increasing the proportions of women and minority employees for several decades. To study the link between diversity interventions and business outcomes they focused on the company's U.S. based employees working within the sales and service divisions (n = 12,606 employees). Their examination of the links between employee demographics, involvement in diversity interventions and sales performance showed no direct relationship between racial or gender diversity and employee performance. In the final case Levine, Leonard and Joshi (cited in Kochan et al., 2003) studied employee performance within a large America retail company which had a strong reputation for investing heavily in recruiting, developing and supporting ethnic minorities and

women. Similar to the previous cases, despite this company's efforts to promote diversity within their organisation no relationship between employee ethnicity, gender and sales performance was found.

In summing up these four cases Kochan et al. did not dismiss the notion that diversity focussed human resource practices were beneficial. Rather they suggested that promoting diversity may benefit organisations by reducing any potential interpersonal conflict that would have occurred if no interventions at all were in place. In addition they concluded that racial diversity may enhance performance business performance under certain conditions. In their view organisations which have cultures in which diversity is seen as opportunity to learn, develop and improve may be particularly conducive to leveraging positive business outcomes from their diverse employee base. In addition, they noted, the attitudes of front line managers appear to be important. Front line managers who show a genuine commitment to supporting diversity may foster a positive work culture which in turn fosters worker productivity and commitment.

Kochan et al.'s study can be credited for proposing a much more nuanced view of the business case for diversity and in doing so they have shed light upon why studies in this area yield inconsistent results. Diversity management research is dominated by studies which measure the relationships between employee demographics and employee performance without taking into account the way in which diversity management techniques are actually implemented and the role of front line managers in creating a supportive work environment for their employees (Thomas & Ely, 2001).

It appears that much more complex models of the relationship between workforce diversity and business outcomes are needed. For example, it could be that mediating variables, particularly the characteristics and leadership behaviours of front line managers, are the key to understanding the link between diversity and business outcomes (McKay, Avery & Morris, 2008). Further research into these potentially important mediating factors may be beneficial for New Zealand businesses given New Zealand's rapidly changing demographics demand organisations take a proactive response to managing diversity (EEO Trust, 2008, 2010).

Conclusion

Accelerating demographic diversification within the New Zealand workforce means the business case for diversity is an important factor for New Zealand businesses to consider – particularly if the claims of improved business performance are accurate. At the same time the solutions currently offered New Zealand employers concerned with diversity management are based more so on opinion and case studies rather than empirical research. While accelerating diversity may prompt some businesses to consider adjusting their management practices their efforts may be hampered by a lack of understanding of exactly how to best proceed. After reviewing selected literature in this area it is suggested that the understanding of the effectiveness of diversity interventions in New Zealand may be enhanced by an exploration of mediating factors. Specific research could examine the extent to which measurable employee performance outcomes relate to employees perceptions of their front line manager's skills and commitment. Further exploration in this area will elucidate the implications of these factors and may provide clearer incentives for businesses to take a more proactive approach to addressing current and future demographic changes.

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