Organizational Teams: Linking Team Diversity, Performance and Satisfaction

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Abstract:

Purpose of the article: Diversity in the workplace is one of the biggest challenges in contemporary organisational studies. Understanding and effective management of diverse teams deserves greater concern in scientific literature as well as in managing teams in real organisations. The main goal of the paper is to provide an analysis of team diversity, performance and satisfaction in a series of interviews with managers. The first part of the article is dedicated to the concept of diversity and Diversity Management based on literature review. The second part is focused on linking diversity with performance and defining popular trends in research of diversity. The third part is presenting a report from ongoing pilot research focused on feedback from managers and suitability of methods (DPQ, 7S McKinsey, and questionnaires based on Likert Scale) in 2 companies in the Czech Republic.

Methodology/methods: Research methods are adjusted to article’s aims. The following methods are used: DPQ (Diversity Perspective Questionnaire), 7S McKinsey, and questionnaires based on Likert Scale) in 2 companies in the Czech Republic.

Findings: The findings showed the similarity of research findings from abroad – organizations in the Czech Republic generally are not yet aware of the importance of Diversity Management as an overall strategy. Diversity perspectives and strategies of parent companies (headquarters) and their subsidiaries may not be consistent Monitoring of the workforce changes doesn’t take place in both companies. There is no strategic work with diverse teams. None of two companies is not using systematically findings from research on diversity to create more effective work groups and teams. Important finding is that diversity was accepted by respondents as an important factor of competiveness and effective problem-solving.

Conclusions: The research showed an importance of linking team diversity, performance and satisfaction. Results indicated a link between diversity, competiveness and effective problem-solving.

Key Words: globalization, HR diversity, Diversity Management, teams, performance, indicators

JEL Classification: J15, J16, M12, M14
Introduction

Workforce is becoming increasingly diverse. Many organizations, particularly multinationals, realize that diversity is not an inevitable side effect of social changes, but a factor and reality, which can bring new perspectives and enhance the development of new products and services (Rašticová & Senichev, 2011, Senichev, 2013).

The world’s increasing globalization requires more interaction among people from diverse cultures, countries and backgrounds than ever before (Green, Lopez, Wysocki, Kepner 2012).

People no longer live and work in an insular marketplace; they are now part of a worldwide economy with competition coming from nearly every continent (ibidem).

For this reason, profit and non-profit organizations need diversity to become more creative and open to change. Demographic changes (women in the workplace, organisational restructurings, and equal opportunity legislation) will require organizations to review their management practices and develop new and creative approaches to managing people (Green, Lopez, Wysocki, Kepner 2012).

1. Diversity

Diversity, a term originally used by biologists, is the basic property of systems expressing the diversity of their elements (Secretariat of the Convention on Biological Diversity, 2010, in Rašticova, Senichev, 2011).

Diversity is often understood as the degree of stability of a system because, in a crisis, a uniform system usually breaks down whereas, in a diversified system, it is only its individual parts that are crisis-stricken with the system as a whole remaining functional (ibidem).

Figure 1. Four layers of diversity. Source: Gardenswartz & Rowe, 2003; Internal Dimensions and External Dimensions, adapted from Loden & Rosener (1991).
Previous definition is closely related to the fact that „in the twentieth century, ecologists and agriculturalists developed an increasingly sophisticated understanding of the value of biological diversity, specifically the resilience and adaptability it brings to ecosystems. In the twenty-first century, the ecosystem model has been applied to human systems, particularly to understanding how organizations are structured and how they operate.

Twenty-first century organizations face diversity challenges in many arenas. Demographic changes in the workforce and customer populations, combined with globalized markets and international competition, are increasing the amount of diversity organizations must manage, both internally and externally“ (Kreitz, 2008, p. 101).

According to Esty et al. (1995) diversity is acknowledging, understanding, accepting, valuing, and celebrating differences among different people with respect to characteristics as sex, age, class, race, ethnicity, physical and mental ability, sexual orientation, spiritual practice, and public assistance status (Esty et al., 1995).

From the social group approach diversity is a characteristic of groups of two or more people and typically refers to demographic differences of one sort or another among group members (McGrath, Berdahl, Arrow, 1995, in Ely and Thomas, 2001, p. 230).

Workplace diversity involves the diversity of and differences between the members of a team in terms of their nationality, ethnicity, sex, gender, education, etc. (Greenberg, 2004).

The characteristics representing diversity are illustrated in Gardenswartz, Rowe’s (2003) concept of four layers of Diversity. A brief definition of four layers of diversity is presented by Management Consultancy Tschare (2010):

- personal dimension: uniqueness of an individual’s personality,
- inner dimension: sex, nationality, ethnicity, social class, sexual orientation, age, disablament, religion, values, etc.,
- outer dimension: language, habits, geographic position, education, income, professional experience, parenthood, leisure activities, appearance, marital status, etc.,
- organisational dimension: title, position, job description, working environment, department, unit, group, length of employment, place of work, status and position in an organisation (ibidem).

As organizations increasingly operate in a multinational and multicultural context, understanding how diversity in the composition of organizational groups affects outcomes such as satisfaction, creativity, and turnover will be of increasing importance (Milliken, Martins, 1996). It is important to take into account that work with diversity brings different assumptions, perceptions, and attitudes and is associated with benefits, costs and appreciation / awareness in firms (Podsiadlowski et al., 2013).

2. Diversity Management

The management of the diverse workforce is therefore a crucial topic for a successful business case (Management Consultancy Tschare, 2010).

In all businesses and organisations it is possible to find a “natural” diversity of people and of their behavior. But Diversity Management deals and manages diversity in a structured process in order to gain advantages at the market place (ibidem).

Keil defines Diversity Management as active, conscious creation of a strategic, value-oriented communication and control future-oriented process consisting in the acceptance and use of certain differences and similarities as potential driving force of an organisation. In an organisation, this process creates an additional value (Keil et al., 2007, p. 7).

Brodský and Teturová (2008) described Diversity Management as a managerial approach that promotes higher workplace diversity as one of the tools increasing efficiency (Brodský, Teturová, 2008 in Rašticová, Senichev, 2011).

Diversity Management may take a number of different forms such as Age Management, Gender Management, Multicultural Management etc.

The is a need to reflect the situation that commercial – company and public-service managers are looking for ways to cope with the constantly increasing diversity of labour, which may be rather difficult in many cases (Brodský and Teturová, 2008).

Therefore, Diversity Management has become an inseparable part of human resource management policies (ibidem).

Workplace diversity may also serve as sort of a buffer in critical situations (e.g. Catalyst, 2007).

According to Brodský and Teturová (2008) Diversity Management brings employers competitive advantages as the potential of each individual can be utilized more effectively. Practical evidence shows that building diversified teams while respecting personal and cultural differences provides the companies with potential and specific benefits (Watson, Johnson, Kumar, Critelli, 1998; Singh, Point, 2004).

It is, however, important that such differences should be seen as advantages in team cooperation.
People with different previous experience, different backgrounds, knowledge and interests may enrich the team work a great deal (Brodský, Teturová, 2008 in Rašticová, Senichev, 2011).

However, there are also critical opinions calling for a more precise definition of Diversity Management pointing out its certain intrinsic contradictions (Holvino, Camp, 2009 in Rašticová, Senichev, 2011).

Holvino and Kamp (2009) refer to different interpretations of Diversity Management in different countries (the Scandinavian countries, the United States, Great Britain etc.) and to the fact that, since this concept originated in the United States, it is faced with problems in societies based on other principles.

Sokolovský et al. (2009) warn that there may be some risks resulting from uncritical and non-coordinated application of Diversity Management such as loss of expertise and efficiency during implementation as a result of the overcomplexity of “open diversification” as well as fragmentation of organization and business processes and the like (see Rašticová, Senichev, 2011).

According to Pitts (2006) there have been few attempts to establish a comprehensive theoretical framework through which streams of research can unite and better inform public managers – rather, issues of recruitment, management, and cultural values are pursued as wholly separate areas of inquiry.

Most definitions of Diversity Management consider only processes that occur after the hiring stage, differentiating Diversity Management from affirmative action programs (Pitts, 2006).

This was the reason why Pitts defined Diversity Management as a multifaceted concept, which should be defined in such a manner. As such, he reformulates the definition of “Diversity Management” to include three components: recruitment programs, programs aimed to increase cultural awareness and pragmatic management policies (ibidem).

### 3. Diversity and Performance

The role of diversity in performance is not just a popular slogan, but a reality and challenge of our days (Senichev, 2013). Nowadays is a hot topic to identify what kind of diversity has an impact (and to what extent diversity might influence productivity) because there is so much diversities.

One problem associated with attempting to make predictions about the effects of social category diversity on workgroup performance is that social category diversity may represent informational diversity, value diversity, both, or neither (Jehn et al., 1999, in Senichev, 2013).

There is evidence that sensitive using of Diversity Management could bring some benefits for different company divisions and for concrete workplace (Esty et al., 1995; Catalyst, 2007). Nevertheless there is not so much facts to show that work in diverse environment was the only one reason of improvement. Just a few studies referred to the direct impact on performance (CSES, 2003, described also in Senichev, 2013).

The problem with these findings however, are that its major finding may have little to do with diversity directly and much more to do with the investor assessment of the competence of managers to control risks (ibidem).

#### 3.1 Diversity and Team Performance

As a platform of team diversity could serve famous comments of Lew Platt, former CEO of Hewlett Packard, to the Diversity Research Network, Stanford Business School (March 18, 1998, in Kochan et al., 2003, p. 5), who defined business case for diversity in the following way:

“I see three main points to make the business case for diversity:
- A talent shortage that requires us to seek out and use the full capabilities of all our employees.
- The need to be like our customers, including the need to understand and communicate with them in terms that reflect their concerns.
- Diverse teams produce better results.”

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

The increasing number of scientific research shows the importance of diversity in group research at the global scale and particularly in the Czech Republic (in Senichev, 2013) (see Table 1 and Table 2).

In Table 2 different benefits of diversity are presented – effective problem – solving, higher innovative and creative potential etc. It is important to mention that the way organizations deal with diversity influences the individual’s perception of diversity in work groups.

Studies have shown that the effects of work group diversity are sometimes inconsistent, being both positive and negative (as on the organisational level) (Podsiadlowski et al., 2013).

Benefits are seen in a slightly increased group performance in terms of higher creativity, innovation, and quality of decisions (Jehn et al., 1999,
lower team member satisfaction and decreased cooperation (Chatman, Spataro, 2005 in Podsiadlowski et al., 2013).

But as Podsiadlowski et al. (2013) suggested, positive effects of diversity on group performance have been limited to laboratory studies or experiments. Most of research projects have not been replicated in organizational studies (Podsiadlowski et al., 2013).

4. Trends in Diversity research

Research on diversity could divided into several streams:
- Performance of diverse and non-diverse college teams (e.g. Watson, Johnson, Zgourides, 2002) or MBA students (e.g. Basadur & Head, 2001).
- Performance of organizations with active diversity or / and CSR programs and without active programs (Kullová, 2010).
- Perception of diversity issues in organizations, company approach to diversity, measurement of diversity perspectives (e.g. DPQ – Diversity Perspective Questionnaire, see Podsiadlowski et al., 2013).
- Best practices and characteristics of firms with “effective diversity policy” (Kochan et al., 2003, Jirincová, 2011, Eger et al., 2012).
- The effects of diversity on company performance (CSES, 2003).
- Company performance and team performance among companies with diversity policies (research of BOLT initiative in Kochan et al., 2003).

Each of the mentioned trends could be useful for defining more comprehensive and effective way of dealing with diversity a research.

One of the most important findings of the research is that while original hope of researches (Kochan et al., 2003) to collect the same kind of data in each company and to use the same instruments for measuring the group process and context variables, it quickly became apparent that this was not feasible.

Each company had its own particular ways of collecting and storing human resource data and three
of four firms indicated a strong preference for using their own internal survey measures to capture the variables in the research model.

It is important to note that in diversity research it is difficult to create an experimental group, because the number of similar companies is small, moreover, also each company has some kind of “natural” diversity.

One of the possible solutions is to use a mix of qualitative and quantitative data (Kochan et al., 2003) collected across the companies.

Moreover researches show a necessity to focus on group processes (Van Knippenberg & Schippers, 2007) and context (Kochan et al., 2003) because of their influences on group outcomes (Podsiadlowski et al., 2013).

The model presented on a Figure 2 reflects both empirical research and theoretical analyses, which suggest that whether diversity has a positive or negative impact on performance may depend on several aspects of an organization’s strategy, culture, and human resource (HR) practices (Kochan et al., 2003).

There is a lot of methods and tools focused on the mentioned areas. One of the most popular in company analyses is the McKinsey 7S Framework. The McKinsey 7S is created to capture the organizational culture, business strategies and human resource policies and practices (Peter, Waterman, 1982) (see Methodology).

5. Methodology

In the presented design we will be focusing on the following types of diversity:

- demographic (social) categories as gender and age,
- informational diversity in the following meaning:
  a) heterogeneity of education (i.e., major),
  b) functional area in the firm (i.e., marketing, mail room, operation),
  c) position in the firm (i.e. hourly employee or management) (Jehn et al., 1999).

There are 3 levels of analysis of wider research scope:

- top management, HR directors and managers, Diversity managers
- team leaders, group supervisors, who are responsible for managing team/s
- team members of each teams

In the following paper will be discussed two areas: top management and team leaders.

At the presented levels following methods will be used:

- Top management, HR directors and managers, diversity managers etc. – semi structured interview based on chosen and adjusted to diversity items from the McKinsey 7S Framework.

This theoretical framework (consisting of batteries of questions focused on “Strategy”, “Structure”, “Systems”, “Shared Values”, “Style”, “Staff
and Skills”) is suitable for defining and analyzing diversity at organizational and team level.
In the following case studies using questions from the McKinsey 7S will be evaluated.
Also we selected items (based on Likert scale) from Diversity Perspective Questionnaire (DPQ – Podsiadlowski et al., 2013). Items are focused on the role of diversity, performance and job satisfaction in the company (examples):
It feels better to work with similar others. Promotion is dependent upon employee performance, not on someone’s background (ibidem).
- Team leaders / group supervisors: modified items from The McKinsey 7S are focused on team work, identification of key factors of team performance, types of diversity in teams;
  Examples of questions from the battery on “Structure” are following:
  How is the company/team divided? How do the team members organize and align themselves?
  Likert scale items were oriented on diversity, performance and satisfaction (Jehn et al., 1999; Schippers et al 2004, Pitts, 2006, 2009; Cimbálníková et al., 2012). Objective performance indicators for each team will be used in further research.
- Team members: socio – demographic data, company experience, time spent in the organization and team will be added to the analysis.
The following part is presenting the evidence based on interviews with managers from two companies in the Czech Republic.
First part of the interview is based on the McKinsey 7S Framework and items from DPQ focused on broader analysis of company regarding HR diversity, team work etc. Second part of each interview is focused on team work, types of diversity in team work.

5.1 Companies in pilot research
This study is based on data from two companies in the Czech Republic, located in Brno. The key selecting criterion was to find companies, which work is based on team work and if they are dealing with diversity. Company 1 is operating in the area of furniture retailing; company 2 is operating in the area of financial consultancy.
In the following text these companies are divided in two case studies. In each company will be presented four areas of research: Diversity, Teamwork, the role of teams / team Leader, Performance and Satisfaction.

5.1.1 Case study 1
Diversity
In the area of dealing with diversity first company is working with different types of diversity internationally, but locally it is not recognized as a topic. In the Czech subsidiary managers didn’t passed any training in Diversity.
Advantages of Diversity Management are: diverse workplace brings better language skills and knowledge (multiculturalism), for the company benefits is identified in marketing.
Diversity in company 1 is accepted as a factor that can bring different benefits for the team: gender balanced team has higher motivation to work by comparison with more or less diverse teams. At the same time diversity if is not appropriately managed could burden the process of information exchange in team. Effective and sensitive managerial approach according to interview could be useful in dealing with diversity.

Teamwork, the role of teams / Team Leader
Teams in company 1 usually consist of 7–8 members and 1 supervisor. Team work is used at short – term projects (few days), often in the area of sales; work is based on activities in collectives, when every employee is doing the same job. „Teams„, exist just a few days. The process of selection team members is based on motivation and readiness to work; experiences play also an important role.
Team leader doesn’t have a possibility to influence the selection process. Team leaders are chosen on the base of their motivation, popularity among employees and leadership skills, also experiences are quite important. According to interview the optimal team is a gender mixed team, because it has a direct link to different points of view and also to higher level of motivation.

Performance
Managers evaluate team member at each specific projects. Individual performance is monitored and measured for each team member.

Satisfaction
There is a standardized / anticipated level of satisfaction. If the result in some department of subsidiary is lower than a standard, the company audit should be provided. During the testing an interesting fact has occurred: one of the team managers has 2 team members, who are not so good in their work, but he doesn’t want to fire them because they are important for sustaining a good level of satisfaction in team.
Satisfaction is seen as a factor stimulating performance, it is like rising trend line. In company 1 satisfaction questionnaires are focused on the following criteria: the company, staff, collective / team.
criterion is to have for each category certain percent and level of satisfaction, if the results in some department of subsidiaries are lower than the standardized level is, the audit should be provided.

5.1.2 Case study 2

Diversity

Diversity in company 2 is not officially a topic, but there is a knowledge and awareness of diversity because of previous work experience at University. The opinion of one manager is that “we are not discriminate” and diversity is not seen as a marketing tool, rather diversity is a factor of competitiveness.

This fact partially supports the findings of Podsiadlowski et al. (2013) about different diversity perspectives and how these perspectives are related to diversity practice and measurement.

Benefits of homogeneity were defined in the following way: lower conflict ratio, when the majority of people in team have similar hobbies and activities.

Teamwork, the role of teams / Team Leader

Teams in company 2 could have different number of team member, from 6 to 40 and more. Common practice is to form team of 6–7 new employees with 3–4 supervisors.

Teams are created spontaneously; the length of existence is approximately 6 months. Teams have meetings twice a week, the key goal is to discuss and train practical skills.

The second reason to use team work is more effective team learning in the field of financial markets, financial management etc. One of the key criteria of being a leader is to have enough experience, to be popular and to be able to lead people. The optimal team is a team with highly motivated employees which have similar goals and vision. Team manager fulfill his/her goals, when each of his /her team is fulfilling goals standardized for their level.

Performance

In the company 2 team evaluation is made each month, it is important to create a group in which every team member is fulfilling goals and criteria for his of her level.

According to interview women in company are “representing feelings” and are able to bring different views and thoughts than men, who representing “rational thinking”, both genders could be useful for team.

Satisfaction

Satisfaction in company 2 is also measured just at the company level. Measuring customer satisfaction is more important than internal employee satisfaction.

Methods

The battery of questions from 7S McKinsey Framework proved to be useful in interviews, especially questions on “Values”, “Structures” and “Systems”. According to the recommendation in the McKinsey 7S we started with questions on “Shared Values”, after that followed question on “Structure”, “Strategy”, and “Systems”. Combination of questions taken from the McKinsey 7S and DPQ focused on diversity has occurred as suitable for analysis of diversity, performance and satisfaction in the context of organisation. Some questions was repeating, this is a reason why the questionnaire could be shortened.

Conclusion

The article was focused on linking team diversity, performance and satisfaction.

The first part of the article was dealing with the concept of diversity and Diversity Management based on literature review.

The second part was dedicated to findings from the researches on team performance and defining trends in diversity research. The third part was based on the report from ongoing pilot research in 2 companies in the Czech Republic.

The findings from two companies showed the similarity of research findings from abroad, organizations in the Czech Republic generally are not yet aware of the importance of Diversity Management as an overall strategy.

Also first results showed that diversity perspectives and strategies of parent companies (headquarters) and their subsidiaries may not be consistent Monitoring of the workforce changes doesn’t take place in both companies. There is no strategic work with diverse teams. None of two companies is not using systematically findings from research on diversity to create more effective work groups and teams.

Nevertheless diversity was accepted by respondents as an important factor of competiveness and effective problem-solving. Moreover during the testing occurred some changes of the formulations and hypotheses in the battery of questions.

For the future research there is a need to focus on objective and subjective performance criteria, to focus on performance measurement systems among different organizational teams.

It is important to note that diversity and performance should be more intensively associated with
personal factors such as motivation, team work and job satisfaction of employees, which are essential components of Human Resource Management as well as a part of performance management.

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