

# Chapter 23

## Workforce Diversity Management and Organizational Effectiveness

**Doris Esinam Afi Ahiawodzi**

*Knutsford University College, Accra, Ghana*

**Peace Kumah**

*Knutsford University College, Accra, Ghana*

### **ABSTRACT**

*This study examined the impact of workforce diversity on organizational effectiveness. It aimed to evaluate the level of commitment to diversity management within organizations, identify challenges in diversity management, and explore the relationship between diversity and effectiveness. To gather data, a quantitative approach was used, with respondents rating their views on a 5-point Likert scale questionnaire. The sample size consisted of 150 employees and data analysis was conducted using IBM SPSS. Both descriptive and inferential statistics were utilized. The results revealed that while organizations were highly committed to diversity management, they struggled to provide equal treatment to all staff due to outdated diversity policies. Nevertheless, the study showed that diversity had a positive effect on organizational effectiveness. The study suggests that organizations should establish updated workforce diversity policies that address current trends in employees' work culture.*

### **INTRODUCTION**

In modern organizations, workplace diversity is a key factor that affects overall efficiency, competency, and growth (Goel, 2019). Workforce diversity refers to the variety of differences among people in an organization (Chua et al., 2023). These differences include age, gender, race, ethnicity, sexual orientation, physical abilities, religious beliefs, educational background, and work experience (Eboh et al., 2018). Workforce diversity encompasses both the visible or surface-level characteristics (demographic) and the deeper psychological characteristics of individuals (Chua et al., 2023). These characteristics are

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divided into two categories: primary and secondary dimensions. In the primary dimension, individuals possess fundamental characteristics such as age, race, gender, physical and mental abilities, and sexual orientation, which are interdependent and contribute significantly to self-image (Li et al., 2020). Conversely, the secondary dimension comprises a person's health practices, religious convictions, education and training, appearance, relationship status, ethnicity, communication style, and income level (Gunjan, 2022). They are factors that can be altered or adjusted in some way.

The importance of workforce diversity cannot be overemphasized (Balanay & Richards, 2022). Workforce diversity brings a wide range of perspectives, experiences, and skills to the organization, which can lead to increased creativity, innovation, and better problem-solving (Kuknor et al., 2023). Therefore, workforce diversity needs to be properly managed. Diversity management aims to create a diverse and inclusive workforce by recognizing and valuing employee differences (Köllen, 2019). It involves implementing policies and practices that promote diversity, equity, and inclusion in the workplace, such as targeted diversity recruiting, diversity training, mentoring programs, and creating an inclusive organizational culture (Chua et al., 2023). The goal of diversity management is to leverage the benefits of a diverse workforce while addressing the challenges that can arise from managing a diverse group of employees (Köllen, 2019). Research suggests that a diverse workforce can lead to improved efficiency, effectiveness, and innovation (Nyako, 2017). Moreover, a more diverse workforce can contribute to building high-performing teams, fostering inclusive cultures, and providing excellent customer service (Borry et al., 2021). Likewise, diversity can bring unique perspectives and experiences to the organization, which can lead to better problem-solving and decision-making (Ahiawodzi, 2018).

Workforce diversity has both positive and negative implications on organizational effectiveness. It can increase the chances of dissatisfaction, lack of identification (Durga, 2017), and conflict among employees (Ahiawodzi, 2018). Consequently, diversity should be managed effectively by establishing policies and training programs that promote understanding and provide employment opportunities to various groups in the workforce. It is important to consider cultural and legislative factors when implementing diversity programs and policies. Cross-national diversity management should consider the cultural and legislative factors applicable to different countries. Ultimately, diversity should be viewed as a helpful attribute that promotes the attainment of the corporate mission and objectives of the organization (Omotayo et al, 2020). Sanyang and Othman (2019) note that to achieve profitability, productivity, and a competitive edge, organizations must not only embrace diversity but also implement effective strategies to attract and retain the best talent. Managing a diverse workforce presents unique challenges for organizations. Despite the potential threats to performance, various strategies have been proposed to help organizations navigate this complex issue (Suleman, 2017). Properly managing diversity in the workplace can increase productivity, though there is some conflicting evidence on its effects.

As mentioned earlier, the primary demographic characteristics of employees of age, gender, education, and experience and the secondary demographic characteristics of ethnicity, race, religion, and sexual orientation can affect organizational performance in various ways. For example, age diversity has been found to have both positive and negative effects on performance, while gender diversity has not been found to have a significant impact (Abir et al., 2022). Education and experience can also impact performance, with higher levels of education and experience leading to better performance. However, it is important to note that the relationship between demographic characteristics and performance can be complex and may depend on various contextual factors (Abir et al., 2022). Therefore, exploring workforce diversity and organizational effectiveness within the context of a developing country is essential (Ahiawodzi, 2018). The extent of workforce diversity management in organizations in developing countries and the

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