

## **Workforce Diversity and Organizational Effectiveness (A Study of Selected Multinational Firms in Rivers State)**

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### **Abstract**

*This paper x-rayed the strategic contributions of workforce diversity on organizational effectiveness: a survey of selected multinational firms in Rivers state. The study took a descriptive survey approach. Data was sourced from the 224 completed and returned five point likert scale questionnaire out of the 300 administered on the senior human resource management staff members of selected multinational firms in Rivers-state. The data gathered was analyzed with Mann-Whitney (U) test using the 20.0 version of statistical package for social sciences (SPSS). Sequel to the findings, the study concluded that workforce diversity is more of a facilitator of organizational effectiveness than it is an inhibitor. The paper therefore recommends among others that; diversity sensitive training should be made a continuous aspect of employees training and development program and that multinational firms should have and enforce a policy of equity and equality in handling employees' affairs other than treating employees based on ethnic, language, cultural or even gender sentiments*

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**Keywords:** Diversity, Effectiveness, Firms, Multinational, Workforce

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### **Introduction**

In today's competitive business environment, it is not uncommon for organizations to seek to expand their market frontier by going international. The rational been the need to increase customer base, diversify its revenue source and build a global reputation. In pursuit of this, there is a rise in the need to have a stock of human resources that possesses the mix that satisfies market and legal requirements; market need in terms of right skill mix that can stand the pressure of competition and legal requirements like distinct national laws that may require a certain percentage of the workforce to be made up of indigenous workers. Example of such national laws is the Nigerian local content policy that is been enforced by the federal government of Nigeria.

Multinational organizations are therefore consciously or unconsciously saddled with the responsibility of managing a diversified workforce. In other to achieve competitiveness and remain effective, the way and manner this diversified workforce is managed comes into question. For instance, among multinational oil and gas companies in rivers state, it is common to find host community indigenes employed to do menial jobs like security, cleaners, messengers, cooks etc. thereby making it difficult to find any of the firms that have indigenes

of their host community as members of top management team, this creates a sense of neglect and alienation among the indigenes. Today, protest and sabotage of oil and gas facility, kidnapping of expatriates and other anti-organizational effectiveness activities allegedly by members of the host community is no longer news.

To be effective requires that organizations have to harmonize and satisfy the conflicting interest of its numerous stakeholders, these calls for the deployment of people with sound understanding of both the market, societal, cultural, technological and environmental terrain. In this study, organizational effectiveness is seen as the ability of multinational firms to meet these diverse goals without sacrificing any of the goals for another. Mohammad, Habib and Alias (2011), posit that organizational effectiveness is the notion of how effectual an organization is in accomplishing the results the organization aims to generate. It plays an important role in accelerating organizational development. It is the net satisfaction of all constituents in the process of gathering and transforming inputs into output in an efficient manner (Matthew, Grawhich and Barber 2009). This paper proxied workforce diversity with cultural diversity, demographic diversity and organizational diversity while organizational effectiveness was proxied with three non-financial outcomes associated with multinational firms namely; community relations, adaptability and competitiveness.

### **Statement of the Problem**

The Nigerian business climate is generally regarded as not friendly. Though over time government is said to be making effort to improve the ranking of the friendliness of Nigerian business environment. In the southern part of Nigeria, the emerging scenario of kidnapping and security sabotage of business facilities has called for attention. Part of the claim of these saboteurs is their alienation from the ownership and control from their natural endowment. Though, the local content bill provides for their inclusion, their actual involvement at the top management leaves much to be desired.

Most multinational firms are involved in highly technical industries that require the bringing in of expatriates. These aliens come with their divergent culture and other socio-cognitive attributes that sometimes create misunderstanding and communication gap. As results of these differences among the members of staff, organization may have difficulties optimizing their internal processes and this affects their competitiveness. The problem of this paper therefore is to unravel the effect workforce diversity has on the effectiveness of multinational firms in Rivers State.

### **Objectives of the Study**

The general objective of this paper is to examine the strategic contributions of work force diversity to organizational effectiveness. The following specific objectives were investigated;

- i.** The strategic contributions of cultural diversity on host community relations of multinational firms
- ii.** The strategic contributions of demographic diversity on the adaptability of multinational firms
- iii.** The strategic contributions of organizational diversity on the competitiveness of multinational firms.

### **Research Hypotheses**

**H<sub>01</sub>:** Cultural diversity does not have significant contributions on host community relations of multinational firms

**H<sub>02</sub>:** Demographic diversity does not contribute significantly to the adaptability of multinational firms

**H03:** organizational diversity does not make significant contributions to the competitiveness of multinational firms

### **Conceptual Review**

#### ***Workforce Diversity***

In a broad sense, diversity is applied to embrace varieties in regard to race, gender, ethnicity, education, age, income, work experience and national and geographical origin (Thomas, Russell, & Schumacher, 2001). In understanding the meaning of diversity, there is a need to look at each component constructing this expression. Diversity refers to people from various groups such as gender, religious groups, younger and older groups of people, ethnicity and nationality etc. (Guirdham 2005). Nationality is one element of the term diversity. All the people in the world can be differentiated by their own nationality. This nationality branch of diversity has elements consisting of clearly observable differences, but also unobservable dissimilarities such as the value systems people hold, skills, experience and cognitive processes. Furthermore, these two types of diversity can be categorized into the surface-level diversity with clearly visible traits and the other diversity being the more deep-leveled diversity, with no clearly identified traits (Staples & Zhao 2006). Govindarajan and Gupta further explore these two forms of dividing diversity, as they state two types of diversity closely related to the previous ones. These are cognitive and behavioral diversity. The cognitive diversity refers to “the differences in the substantive content of how people perceive the team’s challenges and opportunities, options to be evaluated and optimal course of action. This deals with different perceptions people hold, meaning that individuals have different ways to perceive the task and optimal solutions in the group work. The other form is behavioral diversity referring to the various group members where there is a “difference in language as well as culture-driven norms of behavior. This refers to how different cultural norms can create communication difficulties and how they determine the behavior of people (Francesco & Gold 2005). According to Tsui & Gutek, (2000), Workforce “diversity” is used to refer to the demographic composition of a workforce. According to them, workforce diversity is usually measured using the compositional approach focuses on the distribution of demographic attributes for example age, ethnicity, and gender within workforce. Studies of workforce diversity directly parallel the methods that have been used to study organizational demography, which is a closely related field of study. Researchers studying workforce diversity and organizational demography both assess the extent to which members of an organizational unit are (dis)similar to each other.

Workforce Diversity management is the systematic and planned commitment by the organizations to recruit, retain, reward and promote a heterogeneous mix of employees. Organizations that develop experience in and reputations for managing diversity will likely attract the best personnel (Carrell et al, 1995). Diversity refers to the co-existence of employees from various socio-cultural backgrounds within the company

To Daft (2008) Workforce diversity refers to a workforce made up of people with different human qualities or who belong to various cultural groups. The author regarded individual diversity to include people different from themselves along the dimensions such as social background. Workforce diversity as noted by Robbins and Judge (2011) acknowledges a workforce which comprised women and men. As the authors went on to observe, these individuals with variety of physical or psychological abilities. Diversity management is about finding ways to get the diverse contributions from employees.

#### ***Dimensions of Diversity***

- Cultural Diversity

According to Gibson & Gibbs, (2006) Culture is —broadly defined as characteristic ways of thinking, feeling and behaving shared among members of an identifiable group. While some elements of culture are visible and observable (e.g., accent, religious apparel), others are subtle due to varying degrees of acculturation. To understand what workforce cultural diversity means, it is important to examine the definition of culture. The term culture is complex, as there are more than one hundred and sixty definitions of it (Thomas 2008). According to Thomas, culture is the subjective perception of the human made part of the environment. Here it refers to the terms associated with culture such as beliefs, attitudes, associations etc. This definition also supports Hofstede's definition of culture as the collective software of the mind that distinguishes the members of one group or category of people from others (Hofstede 2005). This software includes the patterns of how we behave, think and feel and which is learned throughout a lifetime. Factors that create these patterns stand as the controlling forces of the way people behave and construct their ways of thinking when interacting with others. This supports the argument that culture is a rather complex concept, as it is an ever-changing phenomenon that is highly dynamic and always in flux (Halverson and Tirmizi 2008). One of the recent interpretations of culture was given by Gibson and Gibbs (2006) where they defined it as the set of deep level values associated with societal effectiveness, shared by an identifiable group. This proves the fact that culture is dynamic and that definitions should be used as working definitions.

- ***Demographic Diversity***

According to Sawyer, Houlette, & Yeagley, (2006) demographic diversity refers to the ways in which people are similar or different from each other. It may be defined by any characteristic that varies within a particular work unit such as gender, race, age, education, tenure, or functional background (such as being an engineer versus being an accountant). Even though diversity may occur with respect to any characteristic, our focus will be on diversity with respect to demographic, relatively stable, and visible characteristics: specifically gender, race, age, religion, physical abilities, and sexual orientation. The study of demographic diversity has traditionally followed either of two approaches in the treatment of the subject. One approach has been to treat it broadly, making statements about heterogeneity or homogeneity in general, rather than about a particular type (e.g., age diversity). Hambrick and Mason (1984), for example, advanced a set of propositions that used the terms homogeneity and heterogeneity generically e.g., "Homogeneous top management teams will make strategic decisions more quickly than will heterogeneous teams." The second approach has been to treat each demographic diversity variable as a distinct theoretical construct based on the argument that different types of diversity may produce different outcomes. This has typically been the approach of social psychologists in their lab studies.

- ***Organizational Diversity***

According to the management study guide website, in an organizational context, diversity refers to equality of opportunity and employment without any bias because of these traits. Indeed, it has become fashionable in the present scenario to have a diverse mix of employees drawn from all classes and proclivities so that the aura of correctness and humanitarianism can be actualized. However, this does not mean that organizational diversity has succeeded or it has become the norm in organizations. Rather, there are many barriers to diversity even after strenuous efforts by activists and experts and these relate to societal mindsets and personal psychological discomfort with having people drawn from diverse backgrounds working alongside. It is important to note that organizational diversity in this context is not focused on the broad diversity surrogates but the internal functions and processes of the organization. It

therefore considers issues policies, purposes, programmes, perspectives, personnel, power and practices.

### **Organizational Effectiveness**

According to Hardesty (2003), organizational effectiveness is defined in many different ways depending on the organizations goals and objectives in today's market and also is dependent on the industry. In today's market, organizational effectiveness is dependent on seven to ten attributes/characteristics. He further stated ten characteristics those highly effective organizations exhibits. They are, clarity of the organization's mission, the power of leadership vision, adherence to shared values throughout the organization, cohesive, balanced team of leaders, clear and measurable goals and objectives, mechanisms for external feedback and input, a desire to learn continuously, pursuit of excellence, competent planning and decision-making processes, periodic celebrations of nobility of the work and collective accomplishments. Fitz-Enz (1997) concluded there are eight practices of highly effective organizations. They entail balanced values, commitment, culture, communication, partnering, collaboration, innovation and risk, and competitive passion. Stating what an organization is supposed to look like and how it should function is easy. The hard part is how to get there and practicing the characteristics of an effective organization. Most organizations know the success of an organization is dependent on the people in place that produce the product or service. It starts with the leadership who tries to instill values throughout the organization.

Edward Deming, a renowned organizational effectiveness theorist, discussed 14 points that management needs to practice to operate as an effective organization. Deming's 14 points are: (1) Create constancy of purpose toward improvement of product and service, with the aim to become competitive and to stay in business, and to provide jobs; (2) Adopt the new philosophy. (3) Cease dependence on inspection to achieve quality. Eliminate the need for inspection on a mass basis by building quality into the product in the first place; (4) End the practice of awarding business on the basis of price tag. Instead, minimize total cost. Move toward a single supplier for anyone item, on a long-term relationship of loyalty and trust; (5) Improve constantly and forever the system of production and service, to improve quality and productivity, and thus constantly decrease costs; (6) Institute training on the job; (7) Institute leadership. The aim of supervision should be to help people and machines and gadgets to do a better job. Supervision of management is in need of overhaul, as well as supervision of production workers; (8) drive out fear, so that everyone may work effectively for the company; (9) break down barriers between departments. (10) Eliminate slogans, exhortations, and targets for the work force asking for zero defects and new levels of productivity. 11) Eliminate work standards (quotas) on the factory floor. (12) Remove barriers that rob the hourly worker of his right to pride of workmanship. (13) Institute a vigorous program of education and self-improvement; (14) put everybody in the company to work to accomplish the transformation. (The Edwards Deming institutes)

### **Methodology**

This study took a descriptive survey approach. The major instrument for data collection was the questionnaire and data was sourced from the 224 completed and returned five point likert scale questionnaire out of the 300 administered on the senior human resource management staff members of 30 selected multinational firms in Rivers-state. Using judgmental/purposive sampling, 10 multinational firms were selected from the three senatorial districts that make up Rivers state .The data gathered was analyzed with the non-parametric Mann-Whitney (U) test as a statistical tool using the 20.0 version of statistical package for social sciences (SPSS).

## Results and Discussions

The SPSS output of the data used in this study is presented in the tables below;

### SPSS Output for Hypothesis one

**H<sub>01</sub>:** Cultural diversity does not have significant contributions on host community relations of multinational firms

#### Descriptive Statistics

	N	Mean	Std. Deviation	Minimum	Maximum
VAR00001	20	21.8000	10.91884	3.00	40.00
VAR00002	20	3.0000	1.45095	1.00	5.00

#### Mann-Whitney Test

##### Ranks

	VAR00002	N	Mean Rank	Sum of Ranks
	1.00	4	2.50	10.00
VAR00001	2.00	4	6.50	26.00
	Total	8		

#### Test Statistics<sup>a</sup>

	VAR00001
Mann-Whitney U	.000
Wilcoxon W	10.000
Z	-2.309
Asymp. Sig. (2-tailed)	.021
Exact Sig. [2*(1-tailed Sig.)]	.029 <sup>b</sup>

a. Grouping Variable: VAR00002

b. Not corrected for ties.

**Discussion:** From the test statistic table above, the value for Mann-Whitney (U) is 0.000 which is less than the 0.05 level of significance; hence, the null hypothesis is hereby rejected. This simply suggests that multinational firms that deliberately include cultural mix can enjoy positive community relations which can promote stability in their operations.

### SPSS Output for Hypothesis Two

**H<sub>02</sub>:** Workforce demographics does not contribute significantly to the adaptability of multinational firms

### Descriptive Statistics

	N	Mean	Std. Deviation	Minimum	Maximum
VAR00001	20	21.8000	6.94793	10.00	33.00
VAR00002	20	3.0000	1.45095	1.00	5.00

### Ranks

	VAR00002	N	Mean Rank	Sum of Ranks
	1.00	4	2.50	10.00
VAR00001	2.00	4	6.50	26.00
	Total	8		

### Test Statistics<sup>a</sup>

	VAR00001
Mann-Whitney U	.000
Wilcoxon W	10.000
Z	-2.337
Asymp. Sig. (2-tailed)	.019
Exact Sig. [2*(1-tailed Sig.)]	.029 <sup>b</sup>

a. Grouping Variable: VAR00002

b. Not corrected for ties.

**Discussion:** From the test statistic table above, the value for Mann-Whitney (U) is 0.000 which is less than the 0.05 level of significance; hence, the null hypothesis is hereby rejected. This simply suggests that demographic diversity can engender adaptability capability in multinational firms.

### SPSS Output for Hypothesis Three

**H<sub>03</sub>:** Organizational diversity does not make significant contribution to the competitiveness of multinational firms

### Descriptive Statistics

	N	Mean	Std. Deviation	Minimum	Maximum
VAR00001	20	21.9500	9.02322	8.00	39.00
VAR00002	20	3.0000	1.45095	1.00	5.00

### Ranks

	VAR00002	N	Mean Rank	Sum of Ranks
	1.00	4	2.50	10.00
VAR00001	2.00	4	6.50	26.00
	Total	8		

### Test Statistics<sup>a</sup>

	VAR00001
Mann-Whitney U	.000
Wilcoxon W	10.000
Z	-2.309
Asymp. Sig. (2-tailed)	.021
Exact Sig. [2*(1-tailed Sig.)]	.029 <sup>b</sup>

a. Grouping Variable: VAR00002

b. Not corrected for ties.

**Discussion:** From the test statistic table above, the value for Mann-Whitney (U) is 0.000 which is less than the 0.05 level of significance; hence, the null hypothesis is hereby rejected. This simply suggests that differences in workforce skill set can enhance the competitiveness of multinational firms

### Conclusion

The workforce of an organization coming from diverse background may create certain difficulties especially in communication, values and perception. However, its strategic management can confer operational edge to the organization. Sequel to the findings in this study, it is concluded by that workforce diversity is more of facilitator of organizational effectiveness than it is an inhibitor.

### Recommendations

In order to maximize the contributions of workforce diversity to the effectiveness of multinational firms, this paper recommends that;

- i. Diversity sensitive training should be made a continuous aspect of employees training and development program. This will help update employees on cultural changes in their operational environment that may affect their performance
- ii. Multinational firms should have and enforce a policy of equity and equality in handling employees affairs other than treating employees based on ethnic, language, cultural or even gender sentiments
- iii. Organizations must have an optimal mix of their internal functions and processes since adaptability is a sine-quantum for survival especially in the hostile environment of the southern Nigeria.

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