

# Effects of Workplace Diversity Management on Organizational Effectiveness: a case study

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## Abstract

The study sought to establish effects of workforce diversity management on the organizational effectiveness selected branches of Kenya commercial bank limited .Specifically, the study sought to establish the extent of demographic diversity , extent of social-cultural diversity, the management of diversity at the bank's branches and how the management of the workforce diversity affect organizational effectiveness.

The Study adopted a descriptive research design .The study population consisted of all branches of KCB limited in five countries in the East African region. A sample size of 100 respondents was selected. The internet mail survey had a 60% response rate. Data collection was by use of questionnaire through internet mail. Analysis was by use of descriptive and inferential statistics and SPSS version 15.0. The Pearson's correlation coefficient indicated the relationship between each independent variables and the dependent variable and tested at 5% significance level.

The study established that overall, diversity affects the cohesion of the KCB and although the problems related to diversity are intermittent occurrences, in some branches, less than 20% of the branches, these happen very often. Although in 20% of the branches, diversity issues are minimal. Although, there are deliberate efforts to capitalize on diversity at KCB, very little is being achieved, and negative diversity is likely to affect organizational effectiveness, if not properly addressed. The study recommended that in order leverage of the existing diversity, a philosophy be established on diversity that would affect most of the human resources activities with regard to the differences as existing among its employees.

**Keywords:** workplace diversity; organizational effectiveness; management; Kenya commercial bank ltd.

## 1. INTRODUCTION

### 1.1 Background to the Study

Workplace diversity management is broadly defined as the systematic and planned commitment by the organization to recruit, reward and promote a heterogeneous mix of employees (Bagshaw, 2004).

The workforce diversity emerged mainly to further the availability equal opportunities in the workplace. This equal opportunity philosophy is aimed at ensuring that the organizations make the most out of the differences from a diverse workforce rather than losing talent which might assist the organization to be more efficient and effective (Bryan, 1999). The effectiveness of an organization can be measured in different criteria (French, Wendell and Cecil, 1983) among them is productivity, profits, growth, turnover, stability and cohesion.

According to Mott (1985), open system perspectives focus on the exchanges with the environment this includes information processing, profitability, flexibility, and adaptability. That implies that if organizations exist to unite diverse perspectives, capabilities, and talents in pursuit of common purposes and mutually beneficial results, why do they stifle diversity, seek sameness, discourage individuality, promote conformance, reward uniformity, and punish nonconformity? Because managing diversity is harder than managing uniformity managing diversity is more challenging, expensive, time consuming, demanding, stressful, and prone to fail.

However, organizations and their management teams often define diversity too narrowly by tolerating, rather than embracing, government guidelines about inclusion of gender, racial, and sexual diversity in the workplace; focusing on the avoidance of legal risks, rather than the benefits of diversity; and doing the minimum necessary, rather than the maximum, to promote diversity. In the end, they promote uniformity rather than diversity, and understand only those customers who are most like their employees (White, 1999). The extent to which managers recognize diversity and its potential advantages and disadvantages defines organizations' approach to managing the diversity (Price, 1997). Management of diversity in organizations is dependent upon the acceptance of some primary objectives to which employees are willing to commit, such as survival of the firm (Marthur, 1998). In today's fast-paced work environment a successful organization is one where diversity is the norm and not the exception (Lawrence, 2001).

### *1.1.1 Kenya Commercial Bank Limited*

Kenya Commercial Bank (KCB) is a financial services provider headquartered in Nairobi, Kenya. It is among the three largest commercial banks in Kenya with assets of more than US\$2 billion. The other two are Barclays bank of Kenya and standard chartered bank of Kenya. Shares of the stock of Kenya Commercial Bank Group (KCB Group) the parent company of Kenya Commercial Bank, are listed on the Nairobi stock exchange NSE under the symbol (KCB) The Group's stock is also cross listed on the Uganda stock exchange USE. The KCB Group is the largest financial services group in East Africa, with an asset base estimated at over US\$2.5 billion. As of March 2009, KCB Group has the widest network of banking outlets comprising of over 170 branches in Kenya, Rwanda, southern Sudan and Tanzania. K.C.B. is the largest bank in Kenya, with a total workforce of over 3000 employees drawn against various ethnic groups all over Kenya and across Eastern region ([www.kcb.co.ke](http://www.kcb.co.ke))

### *1.1.2 Statement of the Problem*

An impressive body of research on the impact of demographic diversity on group performance lends strong support to the contention that well managed workplace diversity is strength. For example Kanter, Rosabeth, Moss and Brinkerhoff, and Derrick (1991) suggests that unmanaged workplace diversity is most likely to impede group functioning and lead to ineffectiveness.

Despite organizations investing millions in workforce diversity to boost employee morale and improve performance, they rarely achieve their expected benefits. With an extremely heterogeneous workforce in terms of race, ethnicity, culture, language, sexual orientation, religion, conceptions, business organizations face a very complex task to safeguard society or business organizations from potentially destructive conflicts that arise easily in a radically pluralistic or diverse organization (Dass and Parker, 1996)

Studies shows that organizations with high levels of well managed diversity are effective and steering ultimately producing corporate cultures that has new perspectives, pioneering capabilities and fresh ideas necessary to survive ( Jackson AND Fasto,;Schulz and Kelly, 1992, Kundu, 2001, and Torres, 1992).

K.C.B. Limited with its wide branch network operating across different countries in the East African region has a heterogeneous workforce comprising of different races, tribes, culture, religious beliefs, gender mix, age and different conceptions. The management of the KCB has the daunting task of insulating the bank from unmanaged workforce diversity which could actually do the opposite of what it promises, creating internal conflict and reducing organizational performance and effectiveness.

The bank has in the last few years experienced high level employee turnover in several of its branches where it operates and in some instances experiencing poor performance (KCB, Interim Report, 2008). Although, this scenario may be attributed to several factors, this study aimed at investigating the effects of workplace diversity management at KCB limited and how this affects organizational effectiveness.

### *1.1.3 General objectives of the study*

The general objective of this study was to investigate how workplace diversity management affects organizational effectiveness in Kenya Commercial Bank Limited, with a view to making recommendations on the best way to manage workplace diversity and achieve organizational effectiveness.

### *1.1.4 Specific objectives of the study*

The study aimed to achieve the following specific objectives:-

- To find out the extent of demographic workplace diversity of employees in KCB
- To establish the extent of social-cultural workplace diversity of employees in KCB
- To establish how the workplace diversity management is carried out at KCB
- To determine the effects of workplace management on the organizational effectiveness in KCB.
- To give recommendations based on the findings of the study.

### *1.15 justification of the study*

Mutual goals provide opportunity for alignment of personal goals that can lead to growth for both the human resources and organization. Upon completion, suggestions will be put forward on how to manage diversity to ensure the organization's ability to create an environment that values diversity and reinforces its processes such as hiring, promotion, communication and power allocation.

Organizations which manage diversity and multiculturalism will have a competitive edge in the market because they create higher morale and better relationships in the workplace. Moreover, the simple act of learning about other cultural practices enables the organization to expand their thinking in other fields as well.

### *1.1.6 Scope of the study*

The study focused on KCB Ltd, The study limited itself to the following variables of the study;-workplace diversity and branch effectiveness measured in terms of employee satisfaction and employee turnover, stereotyping, ethnocentrism and prejudice, denied access or unfavorable treatment and cohesion/conflicts in the organization.

### *1.1.7 Methodology*

The study adopted a field survey where top managers of KCB limited were surveyed through the mail survey. Questionnaires were sent to them as attachments and replies were also done via the mail. The samples were based on the number of branches located in the five countries, Kenya, Southern Sudan, Rwanda, Tanzania and Uganda.

A sample of 100 branch managers from 203 branches across the countries where the bank operates were selected at random from the target population based on the Sudman Rule of the thumb. According to the Sudman Rule, where the target population is less than 10,000, then a sample size of less or equal to 100 sample units would be suffice (Bradburn and Sudman 1988) .In this study, the total number of branches are less than the ten thousand, therefore, a sample size of 100 units was suffice for this study. The stratification based on

proportionate representation was used to determine the sample units from each country to be studied as indicated in Table 1.

The survey data collected was on diversity issues of employees that affect achievement of set goals. Basically, the data was on social cultural diversity, and demographics and how each branch of the KCB manages such diversity to achieve its organizational objectives. Data was analyzed through descriptive frequencies and a correlation between variables.

## **2. LITERATURE REVIEW**

### *2.1 Theoretical reviews*

#### *2.1.1 Workforce Diversity*

Broadly, defined diversity management as the systematic and planned commitment by the organizations to recruit, retain, reward and promote a heterogeneous mix of employees. Theories and techniques of diversity management have been developed and enthusiastically supported by a growing number of chief executives, training specialists, diversity consultants and academics (Saji, 2004). Diversity can improve organizational effectiveness. Organizations that develop experience in and reputations for managing diversity will likely attract the best personnel (Carrel, et al, 2000).

Diversity refers to the co-existence of employees from various social-cultural backgrounds within the company. Diversity includes cultural factors such as race, gender, age, color, physical ability, ethnicity etc. The broader definition of diversity may include age, national origin, religion, disability, sexual orientation, values, ethnic culture, education, language, lifestyle, beliefs, physical appearance and economic status (Wentling, and Palmarivas, 2000). Diversity requires a type of organizational culture in which each employee can pursue his or her career aspirations without being inhibited by gender, race, nationality, religion, or other factors that are irrelevant to performance (Bryan, 1999). Managing diversity means enabling the diverse workforce to perform its full potential in an equitable work environment where no one group has advantage or disadvantage (Torres and Bruxelles, 1992).

Diversity has increasingly become a "hot-button" issue in corporate, political and legal circles. For example, managing workforce diversity is one of the most difficult and pressing challenges of modern organizations. The demographic differences like sex, age were conventionally related to team level outcomes (Williams, and O'Reilly, 1998). Managers in public and private organizations will have to understand, predict and manage this intriguing nature of the diverse workforce. An understanding about history of diversity management gives an idea about the evolution of the interest in a diverse workforce in organizations.

While many organizations have embraced diversity, others still consider it merely an issue of compliance with legal requirements. Effective diversity management has historically been used to provide a legally defensive position; that is, a firm with diverse workforce could argue that they were not guilty of discrimination because of the prima facie case based on their workforce demographics representing the demographics of the local community.

However, in more recent years, the view of diversity has dramatically changed to a more proactive concept. Many business leaders are now beginning to believe that diversity has important bottom-line benefits. Diversity in the workforce can be a competitive advantage because different viewpoints can facilitate unique and creative approaches to problem-solving, thereby increasing creativity and innovation which in turn, leads to better organizational performance (Allen et al, 2004). For example, in Botswana, the society is becoming multicultural due to the increasing migrant population and their descendants. For organizations, this means that their market share, efficiency, human capital, international competitiveness and the level of innovations will be dependent in part upon their ability to effectively manage a diverse workforce both within and across organizational boundaries (Barker and Hartel, 2004, Dass and Parker, 1996, Kandola et al, 1995, Strauss and Mang, 1999).

However, South Africa and Botswana have depended on migrant labor long before this liberalization phenomenon started in Africa. A word like 'makwerekwere' referring to Africans of other nationalities, 'Makola' referring to people of Indian origin and 'makgoa' referring to white people, which to some is considered derogatory and the discriminatory is popularly used in South Africa and Botswana to the extent that both governments have decided to legislate against its use by its people.

Women are a category of people who have faced serious discrimination from time immemorial. Locally, there are cases of organizations that dismiss women from their jobs once they fall pregnant but the men who impregnate women keep their jobs. Not only women are discriminated against in terms of pay, racist's abuses are leveled against them, stereotypes from all quarters if they belong to the minority groups. For example USA, it is no secret that on average there is a significant gap between men's and women's pay cheques(Encarta.msn.com).

To reap from the diversity, businesses must have a more diverse workforce in order to meet the growing needs of minority consumers. Individuals and groups need to overcome stereotypes or prejudices and recognize that actual dissimilar other have unique and valuable information that can support group processes and performance. Openness to perceived similarity describes the receptivity to perceived dissimilarity of individual, group or organizations (Hartel,2004).

Workforce diversity is a complex phenomenon to manage in an organization .The management in of workforce diversity as a tool to increase organizational effectiveness cannot be underscored, especially with current changes sweeping across the globe. It is argued that the organizations that value diversity will definitely cultivate success and have a future in this dynamic global labor market (Goetz, 2001).

Workforce diversity management has become an important issue for both governments and private sector organizations. Its importance has mainly been brought about by the free movement of labor due to globalization and the fight for human rights by certain minority groups who feel excluded from the employment sector (White, 1999)

### *2.1.2 General dimension of diversity*

Diversity refers to a mosaic of people who bring a variety of backgrounds styles perspectives, values and benefits as assets to the groups and organizations with which they interact. The term used to describe this challenge is "workforce diversity" which means the organizations are becoming more heterogeneous in terms of race ethnicity ability age and other aspects of differentness.(refer figure 1)

A brief overview of the following general dimension of diversity will help explain the need for its management.

### *2.1.3 Demographic work force diversity*

#### *2.1.3.1 Gender issues*

In the year 2006-2008 it was expected that women will occupy up to 30% of the total labor force. This means that organizations must deal with family conflict, child care, dual career couples and sexual harassment. One issue surrounding gender as dimension is the "glass ceiling" syndrome which refers to the difficulty women have in raising/advancing. Only a handful of women reach top management positions in organization. In the USA- it's estimated that men hold ninety seven percent (97%) of the top positions. In South Africa they hold eighty seven (87%) percent of the top positions.

#### *2.1.3.2 Age*

In the USA the supply of young workers is dwindling, with the result that older workers represent a significant component of the labor force. Both young and old workers present management with challenges. Older workers are more cautious, less likely to take risks, less open to changes though their experience make them high performers. Young entrants in the labour force will present challenges in the fields of communication or management tracking.

#### *2.1.3.3 Mental status*

This is a variable that complicate diversity in the organization with increase of single parents. The challenge for management is to recognize these differences and use them as strengths.

#### *2.1.3.4 Physical ability*

People with physical disabilities are subject to stereotyping, prejudice and discrimination. These people prefer manager to focus on ability rather than disability.

#### 2.1.4 Social -Cultural workforce Diversity

Language in among Kenyan tribes is related to the ethnic background. Having more than forty tribes in Kenya and two official languages poses a great challenge to organizations. Sensitivity needs to be shown in the choice and use of language policy within organizations. Other factors include education, income, life style, religion and social-economic backgrounds.

##### 2.1.4.1 Managing Workforce Diversity:

The idea that diversity can be managed originated in the 1960's and since then three approaches have been identified) Golden rules which assert that treatment of everyone in the same way and treating others as you want to be treated,(ii ) "Right the wrong" approach which takes the form affirmative action and finally, (iii) Value of difference approaches which recognize that differences exist but does not want people to be associated into the dominant culture.

Thomas and Ely (2001) have recently developed authentically paradigm of three different perspectives on how organizations perceive the task of managing diversity. They found that, while most organizations in the USA, have applied the first two perspectives, very few were using the third perspective. Ely and Thomas (2001) suggested why the third perspective that will give full benefits from managing diversity. The diversity Paradigms include: Discrimination, Access legitimacy forms and Learning effectiveness.

Companies can succeed at diversity if the initiative to create, manage and value the diverse workforce has full support of top management (Hayes, 1999; Jackson, et al, 1992). The following are conditions which would make workforce diversity a success in any organization;

The organization should assign this work to a senior manager ( Jackson,et al ,1992). The organization should link concerns for diversity to human resources management decisions around recruitment, selection, placement, succession planning, performance management and rewards (Cascio, 1998).

The organization should create such a working environment as will increase the motivation, satisfaction and commitment of diverse people. In addition, performance standards must be clearly and objectively established, effectively communicated and used on objective criteria without any bias, identify desirable and undesirable behaviors that must be based upon performance feedback discussions involving a diverse workforce. The strategy (diversity or otherwise) must be based on the will of the human resources, strength, and culture of the organization (Hayes, 1999). Training and development programs will improve the skills in dealing with the day to day diversity dilemmas .This will help managers to be aware on how power relations impact on stereotypes of groups and on perceptions of individuals and the expectations.

Communicating intercultural ,it will aid in managing a diverse workforce .An individual will be able to understand how cultural and ethnic differences shape the conflict process and coming up with conflict resolution strategies .There will be able negotiate outcomes with cultural differences in mind. Mentoring programs, involvement of experienced advisors and helps others for a period of years. This mentor should be able to advice employees on the whole concept of diversity and the reasons why diversity should be managed in the workplace. Assessment of one's beliefs about work values, being able to identify work values of others from different cultural backgrounds and examination of the leadership assumptions from a multicultural perspective. (Bagsaw, 2004).

Creation of support system to reduce isolation and discrimination .This can be done through the encouragement of a formal system and informal networks. Language competence, lack of language skills in multicultural environments is a significant barrier to building a multicultural organization. The rationale for diversity training programmes is often misunderstood at all levels. So it is important to first communicate what diversity is and what the organization hopes to achieve by managing it more effectively (Bagsaw, 2004). In addition, present a clear business case for diversity initiatives and link with changing demographics and social changes. This gives diversity a context that enhances understanding.

Capitalize on the existing diversity within the organization by ensuring that it includes both senior and line managers on the diversity training courses as well as employees from different functions and departments (Bagsaw, 2004). And finally, the diversity training, this would create the awareness of what the concept of

workforce diversity is and the provision of certain information needed to create behavior changes that are required to effectively manage and work within a diverse workforce.

Managing diversity can create a competitive advantage .Potential benefits of this diversity include better decisions making, higher creativity and innovation, greater success in marketing to foreign and domestic ethnic minority communities and a better distribution of economic opportunities (Cox, 1991; Cox and Blake, 1991). According to one study (Watson et al 1993), culturally, diverse groups relative to homogenous groups are more effective both in the interaction process and job performance; these benefits occur after a diverse group has been together for a period of time.(Taylor, 1995).

Research indicates that the greater diversity can create higher levels of dissatisfaction and turnover (Miliken and Martins, 1996). Maintaining diversity in organizations may be important, however, for creativity and for improving representation and access to power in the view of the demographic changes in the workforce and equal opportunity employment equity /affirmative action, and the human rights legislation.

Organizations with a diverse workforce can provide superior services because they can better understand consumer's needs (Wentling and Palma-Rivas, 2000). Hiring women and minorities, disabled etc will help organizations to tap these niche markets (Mueller, 1998) and diversified market segments (Fleury,1999). As all the segments of society have a stake in the development and prosperity of society as a whole ,creating and managing a diverse workforce should be seen as a social and moral imperative (Mueller, 1998).

As the economies are shifting from manufacturing to service economies, diversity issues will gain importance because in a service economy effective interactions and communications between people are essential to business success (Wentling and Palma-Rivas, 2000). As globalization is increasing, diversity will help organizations to enter the international arena (Cascio, 1998). Diversity enhances creativity and innovation (Addler, 1997; Jackson, et al 1992) and produces competitive advantages (Coleman, 2002; Jackson et al, 1992). Diverse teams make it possible to enhance flexibility (Fleury,1999) and rapid response to an adaptation to change(Adler,1997, Jackson et al, 1992).

Address legal concerns generally legislation is to promote gender equality therefore managing a diverse workforce helps in addressing concerns against discrimination illegal in the working situation so as to improve human rights.

#### *2.1.4.2 Mismanged/Unmanaged workforce Diversity*

Diversity if not well managed has disadvantages. Many people feel threatened by working with people of different age, sex or culture. First ,there is an increase in the cost of training .This increase comes from costs associated with seminars ,programs and lectures given to promote diversity in the corporation. These types of training are given to all levels of staff within the organization .They teach employees how to accept the personalities and ideas, thoughts of others. These programs also teach one how to deal with conflicts and prejudice in a professional and civil manner (White, 1999).

A disadvantage of diversity in the workplace is increase in conflicts .Conflicts arise when two or more individuals or groups do not see eye to eye on a particular situation. In regard to diversity, conflicts arise largely due to ignorance .Prejudice feelings or derogatory comments cause lack of acceptance .This can produce negative dynamics such as ethnocentrism, stereotyping and cultural clashes (White,1999). The most common conflict comes from one feeling superior .If management ignores such conflicts; the company performance may suffer (White, 1999).

If conflicts can be managed and controlled, creativity and performance can be increased. Employers will work harder to gain acceptance by creating a solution or invention first. This can be the case when managers reconcile competing goals, promote in a representative manner, stand behind the minority group member, and act when resources are plentiful and cultural differences are low or well understood( White, 1999). Conflicts always arise wherever there are human beings but they should be managed properly for the benefit of the organization.

Increases in labor turnover and absenteeism are another disadvantage in having a diverse workplace .Research has shown that the turnover rate for African Americans in the US workforce is 40% greater than whites. Another study by Corning Glass stated that between the years 1980 -1987 ,the turnover for women in a professional job was two times higher than males. Women also have 58% higher absentee rate than men. Yet another study

shows that a person who is not a member of the 'inner group' will be one of the first to leave a company (White,1999). Some research contradicts the idea that flextime reduces these rates; however, absenteeism and turnover can cost a company up to and over \$3 million annually (White, 1999). Unmanaged workforce diversity increases labor turnover and absenteeism in organizations.

Mismanaged diversity can have long-reaching effects on employee satisfaction and productivity .Employees who perceive themselves as valued members of their organization are harder working ,involved , and innovative. Unfortunately, minority group members often feel less valued than do majority –group members due to stereotyping, ethnocentrism and prejudice. Mismanagement of diversity in the form of denied access or unfavorable treatment can have negative consequences, such as inhibiting workers abilities and motivation. This leads to lower job performance .Therefore, when organization ignores the existence and importance of workforce diversity, conflict can emerge and neither the corporation nor its employees will realize their potential (Goetz, 2001).

No organization in this world of globalization would survive without workforce diversity .It is the duty of the management to critically evaluate the benefits of the workforce diversity in their organizations. On the other hand, the management should enhance the workforce diversity in their organizations, more especially in their strategies formulation on the diversity of the workforce. Hence with diversity of the workforce, the organization would be internally and externally competitive .Although the process of diversification of organizations has six stages; denial, recognition, acceptance, appreciation, valuing and utilization (Porras, 1991).

It is believed that organizations should put in place strategies to enhance workforce diversity. In terms of organizational learning, organizations are still stuck on the problem of getting people to value diversity and have not yet determined ways to utilize it and exploit it (Porras, 1991). It is the approach to diversity, not the diversity itself which determines the actual positive and negative outcomes (Adler, 1997).

#### *2.1.4.3 Organizational effectiveness*

Organizational comes into existence with specific purposes justifying their birth .How well an organization achieves its purposes is known as organizational effectiveness .To be successful, organization requires the cooperation of all people working in the organization, commitment and support of decision makers. Mott (1982) gives emphasis to an organizations' ability to adapt itself to the changes in the environment .Accordingly, there are two important factors in organizational effectiveness, viz, capacity and capability to change according to the circumstances while participating in the process of resource mobilization to achieve the organizational purpose.

Price (1968) made a distinction between effectiveness as an achievement of group processes and efficiency as the extent to which the group provides satisfaction to the members of the group, in the context of organizational effectiveness. According to Michalman and Hans (1978), effectiveness refers to achievement of higher levels of goals in an organization. Others define effectiveness as the achievement of goals, which contribute to the overall objectives of the firm through optimum utilization of resources. Thus organizational effectiveness, as seen from the various definitions, is a function of achieving organizational goals. An effective organization is the one which achieves the goals continuously over an indefinite long time in future.

Organizational effectiveness as a concept and a field of study appear to be little explored. According to Marthur (1983) in short, only a modest number of organizations studies have focused on performance or effectiveness as a principal dependant variable. French et al (1983) enlisted three approaches to the study of organizational effectiveness viz ( i) formal goal approach, ( ii) system resources approach, and ( iii) systems approach . Organizational effectiveness is seen as an accomplishment of purpose and goals in the formal goal approach. Though this is an accepted approach, it has a number of limitations. Organizations have more than one goal and it is difficult to identify and measure all goals of an organization.

#### *2.1.5 Conceptual Framework*

The conceptual posits that organizations diversity as reflected in demographics and cultural diversity, may affect organizational effectiveness. However, the way management values diversity, not diversity itself, is what moderates the relationship between diversity itself and the organizational effectiveness because it addresses the organizational processes that can reinforce or hinder the ability to create an environment that values diversity. These organizational processes include hiring, promotion, communication and power allocation in organizations.



In the past most organizations used what is called “the melting pot approach” to managing diversity in the working place. This assumes that people who are different would somehow automatically want to assimilate. Now organizations have realized that their employees do not set aside their cultural values and lifestyle preferences when they come to work. The challenge for the manager is to create a work environment in which different lifestyles, family needs and work styles are accommodated. This melting pot approach which recognizes and values differences.(refer figure 2)

### *2.15.1 Definition of Variables*

#### *2.1.5.1.1 Dependent Variable*

Organizational Effectiveness refers to attainment of goals set by an organization. In this study, it will be indicated by the following indicators: retention rate of employees, training of employees and managers, conflicts resolutions, employee performance

#### *2.1.5.1.2 Independent Variables*

Demographic workforce diversity will be indicated by the count of people having different demographics like age, education, gender, marital status etc.

Social-cultural workforce diversity will be indicated by the count of the number of people having different social cultural, economic characteristics such as; ethnicity, nationality, color, race, cultural practices, health conditions, disability conditions and economic well being and background.

### *2.1.6 Empirical Review*

Research invariably exploring the linkages between diversity management and organizational effectiveness are varied. That is, what is the relationship between diversity and organizational level outcomes such as client satisfaction; employee turnover, satisfaction, and productivity; and financial performance? Some of the studies in this area as reviewed in this paper are outlined below.

A study by Richard (2000) conducted in the banking industry revealed that racial diversity within one organization was a positive factor when the firm was pursuing a growth strategy, but it was a negative factor when the firm was downsizing .

A case study by Carter and Spence (1996) about a healthcare organization showed that that growth in patient base, restoration of a positive operating margin, and positive recognition were net gains of a strategic diversity management and patient satisfaction initiative

Study by Wright (1995) found a statistically significant and positive association between stock price valuation and receipt of the U.S. Department of Labor Award for affirmative action .

Hopkins, Hopkins, and Mallette (2001) found that strategic diversity management was associated with strong organizational commitment not only among managers of color but also among white male managers.

Kochan et al (2003) conducted the most thorough study to date on the effects of diversity on business performance. Based on a five-year study of the association between race and gender diversity and business performance, the researchers concluded that the impact of diversity depends on the context in which it is being leveraged, including organizational culture, human resource practices, and strategy. Furthermore, Kochan et al (2003 ) argued that unless explicit attention is given to managing diversity, its impact on performance is likely to be negative.

Lawrence (2001) argues that a truly diverse organization or work environment is unified through common vision and purpose is healthy, strong, innovative, dynamic, and capable of blending a multiplicity of perspectives, experiences, and abilities, and it is able to weather significant competitive challenges.

According to Taylor (1995), diversity must be carefully and constantly nurtured, because creating an organization is a lot like leveling ground. Both activities create new space where the initial staffing or first

species will attempt to dominate and control diversity. The very act of establishing and staffing an organization begins a process of limiting diversity, unless diversity is genuinely valued and vigilantly nurtured.

### *2.1.6.1 Research Gap*

The above studies reviewed in this study reveal that racial diversity in organizations has a positive factor. In addition, customer satisfaction can increase marginally as a result of leveraging on diversity. It is also clear that organizational commitment was found to be related to organizational diversity. However, such benefits accrue to organization, if the diversity is properly managed.

While the above studies focused on diversity in organizations, little attention has been given on how such diversity promote organizational effectiveness,-goal attainment. In addition, all the above studies were done in different settings, beyond the current study. This study therefore will add to the literature by establishing how diversity in organizations influences organizational effectiveness in the local setting. The Kenyan diversity dimensions may be different from other researchers setting, and by taking Kenya Commercial Bank, which has a regional diversity representation, the study gaps would be filled.

## **3. FINDINGS**

The finding of the study is summarized as follows based on the objectives

### *3.1 Objective one: To find out the extent of demographic workplace diversity of employees in KCB*

The study established that in more 26 branches of KCB limited, male employees account for between 51-75% of all the employees. This scenario indicates gender imbalance, and as diversity issue, the female employees are the minority. The study further established that diversity based on age groups represented in various branches. In 43 branches, (71.6%), employees aged between 31-40 years are the majority accounting for 26-50% of the total workforce.

#### *3.1.1 Objective two: to establish the extent of demographic workplace diversity of employees in KCB*

In addition, the study established that in 30 branches surveyed, married employees were between 26-50%, and in another 26 branches, married employees were found to be 25% and below, while in only 4 branches, married employees were found to account between 51-75%, but none of the surveyed branches of KCB limited had a 100% of its employees being married.

In other cases, the study established that in 15 branches studied; those infected with HIV are between 1-2% of all employees. In addition, 35 branches have a HIV rate of between 0-1%, and in the least branches, 10, the HIV infection stand at 2-3%.

Based on academic qualifications, the study found out that employees having MBA qualifications were found to be 2-3% in 18 branches surveyed, 1-2% in 15 branches and below 1% in 12 branches. Only in 9 branches, that proportion of MBA holders is highest accounting for 3-4% of the employees. This indicates that in KCB limited, less than 5% of the employees are MBA holders, and therefore, majority or 95% hold either first degree or other qualifications.

It was further established that in 28 branches surveyed, those with non-black skin color account for 1-2%; and in 30 branches, they account for 0-1%. This indicates that close to 98% of the employees in the KCB group are black. However, those with different skin color other than black account for at least 2% and this indicate the level of other races represented in bank. As a diversity issue, this number of non-black employees are likely to group together based on their similarity or may be segregated against by the majority blacks. Besides, the study established that in 30 branches studied, non-Christians account for 0-1%, and in another 12 branches, they account for 1-2% of the total employees. Generally, it is clear that, less 5% of the employees are non-Christians, meaning that majority (95%) of the employees at KCB limited are Christians.

The study further established that in 25 branches surveyed, employees professing Islamic faith are between 1-2%, and in another 28 branches, they are between 0-1percent. In higher percentages of between 2-3%, the number of branches having this proportion of Muslims was found to be only 7. Additionally, the non-Christians

in 30 branches account are between 26-50% of all employees, and in another 15 branches, they were found to be either below 25% or between 51-75%. This indicates that in some regions other religions are represented at the branch level and Christians become the minority. This may be so in some regions in Kenya, and Tanzania where Muslims dominate such regions.

### *3.1.2 Objective three: To establish how the workplace diversity management is carried out in KCB*

The study established that in all the majority of the branches studied (over 65%) do have in place diversity management practices, but they either rarely have adopted these practices or just that they sometimes do it. This is a middle of the road approach to managing diversity which is likely to generate negative diversity issues at KCB, or which would not maximize on the gains of harnessing diversity at the branch level. In some cases, more than 12 branches (20%) of the bank do not practice some of the diversity management practices at all. This puts into doubt the importance attached to diversity at KCB limited, in spite of having a very rich diversity.

### *3.1.3 Objective four: To determine the effects of workplace management on the organizational effectiveness in KCB.*

The study established that the level of organizational effectiveness. It is clear that in 30 branches, gender based absenteeism due to diversity problems sometimes occur. In 38 branches studied, cases of prejudice, and discrimination based on diversity also occur sometimes. The same can be said of 15 branches where diversity based conflicts sometimes do occur, and in more the rests of the branches, 21 of them witness stereotyping based on diversity, 15 witness workers isolation based on diversity, 18 also witness cultural clashes, and more 30 of them sometimes witness ethnic tensions. Cases of informal groupings and cases of gender based turnover occur sometimes in 21 and 25 branches studied. The implications are that, diversity affects the cohesion of the KCB and although the problems related to diversity are intermittent occurrences, in some branches, though not majority of them, these happen very often. Although in fewer branches, diversity issues are minimal.

### *3.1.4 Correlation between variables*

The study found that all the three variables were found either positively or negatively correlated to the organizational effectiveness but at varying strengths of association. The social-cultural diversity was found to be negatively correlated and had the strongest inverse correlation to organizational effectiveness ( $r = -0.697$ ,  $p = 0.013$ ) which was statistically significant at 5% level. The demographic diversity was found to have a strong but negative correlation to organizational effectiveness ( $r = -0.596$ ,  $p = 0.020$ ). However, the diversity management was found to be positive but weakly correlated to organizational effectiveness ( $r = +0.232$ ,  $p = 0.021$ ), but statistically significant at 5% level.

### *3.1.5 Conclusions*

From the study we concludes that there is gender, and as diversity issue at KCB, the female employees are the minority. However, in some cases, there is either equal gender representation, or slightly higher number of female employees. The study further concludes that with majority of employees being single, it is likely that family ideologies may not be propagated well.

The study further concludes that the HIV infection is a reality, and is quite low in majority of the branches. This form of diversity is sensitive one, which brings the concerns about discrimination and isolation and stigmatization of those infected. A clear policy on dealing with these form of diversity based on health grounds, is critical for protecting those who already are infected.

On academic qualifications, MBA holders as a diversity issue, is likely to impact on the human resources activities such as promotion and compensation, and career development. While non-black are minority in KCB limited, as a diversity issue, the employees are likely to group together based on their similarity or may be segregated against by the majority blacks.

The study further concludes that as a diversity issue, non-Christians are the minority and scenes of isolation, discrimination, prejudice or harassment from the majority of the Christians is possible. This may be so in highly sectarian countries or societies where the bank operates its branches. In addition, as a diversity issue, the Muslim employees may be the minority. Without proper diversity management and respect for individual faith, then in highly sectarian society, religious clash is likely at these branches.

Overall, diversity affects the cohesion of the KCB and although the problems related to diversity are intermittent occurrences, in some branches, though not majority of them, these happen very often. Although in fewer branches, diversity issues are minimal.

The study further concludes that the negative correlation indicates that the diversity either based on demographic or social-cultural differences, if not managed well, would work against the organizational effectiveness. This is made worse by a weak diversity management culture, like the one found in KCB. Although, there are deliberate efforts to capitalize on diversity at KCB, very little is being achieved, and negative diversity is likely to affect organizational effectiveness, if not properly addressed.

### *3.1.6 Recommendations*

The study recommends the following set of actions:-

First to enhance leverage of the existing diversity , a philosophy be established on diversity that would most of the human resources activities with regard to the differences as existing among its employees .

Secondly, the top management must emphasize diversity in planning, operations and in the top management. The top management at the branch the headquarter level should undergo some training on how to leverage on diversity of its workforce. To enhance proper management of diversity, the bank must move from its current lukewarm position, and include diversity in its strategic plan, as resources for organizational effectiveness.

### *3.1.7 Suggestions for further study*

The study limited itself to a case study of Kenya Commercial Bank Limited; further study can be done in this area by increasing the scope of the study in the banking sector or other sectors. Such a study would serve to bring forth how diversity and diversity management affect organizational effectiveness in the banking industry.

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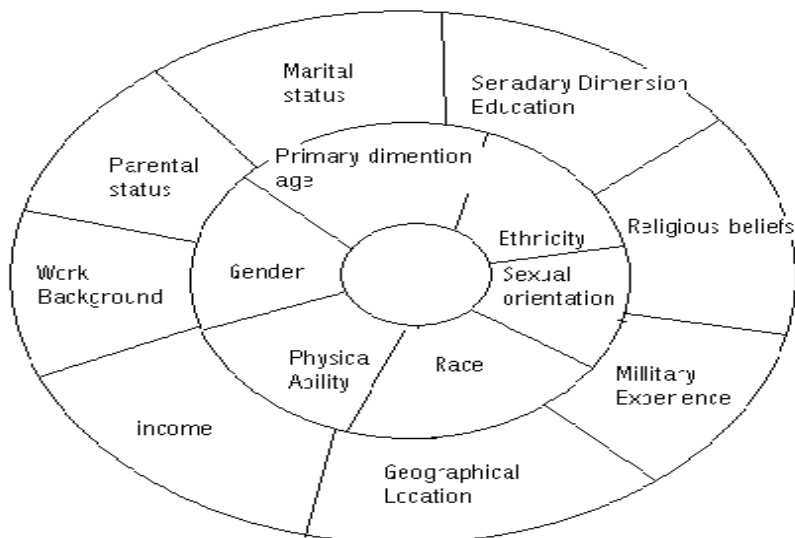
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Table 1: Sample population of study

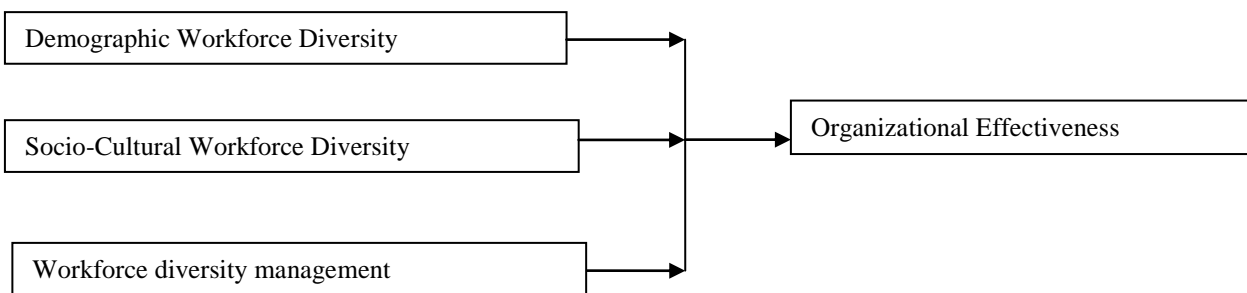
Country	Proportion	Sample size ,n=100
Kenya	83.74%	83
Uganda	4.93%	5
Tanzania	3.94%	4
Sudan	2.46%	3
Rwanda	4.93%	5
Total	100%	100

Figure 1: Dimensions of Diversity



Source: Adopted from draft, R.L. -1995 – Management Orlando: Dorgden, P.340.

Figure 2 conceptual framework



Dependent Variables

Dependent variable

### LIST OF ABBREVIATIONS

KCB Kenya Commercial Bank

SPSS Statistical Package for Social Sciences

NSE Nairobi Stock Exchange

USE Uganda Stock Exchange

### DEFINITION OF TERMS

**Workplace diversity** defined diversity management as the systematic and planned commitment by the organizations to recruit, retain, reward and promote a heterogeneous mix of employees

**Organizational effectiveness** means how well an organization achieves its purposes or goals. In this case the goals will focus on employee cohesion, and performance.

**Employee satisfaction** is the terminology used to describe whether employees are happy and contented and fulfilling their desires and needs at work. Many measures purport that employee satisfaction is a factor in employee motivation, employee goal achievement, and positive employee morale in the workplace.

**Employee retention rate** is the number of permanent employees retained by the company within the reported period versus the number of actual Active Permanent employees on the last day of the previous reported period (physical headcount).

**Demographic diversity** is the differences based on the characteristics of human demographic profiles such as age, gender, education, lifestyle, marital status, skin color among others.

**Social-cultural diversity is differences based** ethnic, racial, and socioeconomic variety in a situation, institution, or group; the coexistence of different ethnic, gender, racial, and socioeconomic groups within one social unit.

**Ethnocentrism** is the tendency to look at the world primarily from the perspective of one's own culture. It is defined as the viewpoint that "one's own group is the center of everything," against which all other groups are judged.

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