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THE MEDIATING ROLE OF CULTURAL INTELLIGENCE AND INNOVATION IN THE RELATIONSHIP BETWEEN WORKFORCE DIVERSITY AND ORGANIZATIONAL PERFORMANCE IN THE ETHIOPIAN BANKING INDUSTRY

Addis Ababa University
College of Business and Economics
Department of Management

A Research submitted in Partial Fulfilment of the Requirements for the Award of the Degree of Masters of Business Administration

By

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March 2021

Addis Ababa, Ethiopia

DECLARATION

I hereby declare that this work entitled **"Effect of Workforce Diversity on Organizational Performance in Banking Industry of Ethiopia: The mediating role of cultural intelligence and innovation"** is my work and that, to the best of my knowledge and belief, it contains no material previously published or written by another person nor material which has been accepted for the award of any other degree or diploma of the university or other institute of higher learning, except where due acknowledgment has been made in the text.

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This Research project has been submitted for examination with my approval as a University advisor.

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This is to certify that the research project prepared by Yordanos Mesfin entitled: "**Effect of Workforce Diversity on Organizational Performance in Banking Industry of Ethiopia: The mediating role of cultural intelligence and innovation**." and submitted in partial fulfillment of the requirements for the degree of Master of Business Administration in Management complies with the regulations of the university and meets the accepted standards concerning originality and quality.

Approval of Board of Examiners

______________________________ ___________________

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Acknowledgment

First of all, I would like to thank God for helping me finish this thesis. Secondly, I want to acknowledge my advisor Yitbarek Takele (Ph.D.), for his intellectual support, guidance, and patience. Thirdly, I would like to extend my gratitude to employees and managers of the 17 banks, whom I couldn't list all on this page, for their cooperation to give data. I also extend my thanks to Fasika Libay, for his comments and support. Finally, I would like to thank my family who has given me their full support and encouragement throughout my study.

Abstract

The study aimed to analyze the mediating effects of cultural intelligence and innovation in the relationship between workforce diversity and organizational performance in the Ethiopian banking industry. Employees of Ethiopian banks established the study setting and simple random sampling was used to select 195 study participants. The research followed a quantitative approach, explanatory design, survey method, and questionnaire as data collection instrument. The study employed exploratory factor analysis (EFA) to identify a battery of factor structures and SEM to identify the measurement model and structural model. The structural model was validated using confirmatory factor analysis (CFA). Convergent and discriminant validity tests were carried to ensure construct validity of the study's measurement instruments. The findings of the study revealed both cultural intelligence and innovation significantly mediate the relationship between organizational performance and workforce diversity. Both mediators had a complimentary partial mediation role in the relationship between workforce diversity and organizational performance. The result also indicated that gender diversity, religious diversity, and age diversity are significantly and positively related to organizational performance while work experience diversity and ethnic diversity did not.

Keywords: Workforce diversity, organizational performance cultural intelligence, innovation, and bank

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List of Acronyms

CQ	Cultural intelligence
KCB	Kenya commercial bank
SPSS	Statistical Package for social scientists
AMOS	Snalysis of moment structure
VIF	Variance inflation factor
CLRM	Classical linear regression model
ANOVA	Analysis of variance
OECD	Organisations for economic cooperation &development
OI	Organisational innovation

CHAPTER ONE
INTRODUCTION
1.1. Background of the study

Workforce diversity is defined as the systematic and planned commitment by the organizations to recruits, retain, reward, and promote a heterogeneous mix of employees. It is also within the company, refers to the coexistence of employees from different socio-cultural backgrounds. A diverse workforce is a preliminary concern for most of the organization. Today's organizations need to recognize and manage workforce diversity effectively Henry and Evans (2007). Workforce diversity is a very phenomenon to control an organizational activity. It is management has become an important issue for both governments and private organizations. It is also emerged Specifically, to encourage the availability of fair opportunities at work. In the last two decades, there has been a lot of discussion about workforce diversity and employee success. The rapidly evolving composition of the workforce, a phenomenon known as workforce diversity, is one of the many environmental developments impacting organizations in recent years (Bhadury, 2010). Workforce diversity and organizational culture have been criticized for several positive and negative effects ((Jainand Verma, 1996). Workforce diversity has important implications for, employee performance, corporate management practices, and policies.

The financial sector of Ethiopia remains underdeveloped and is much less developed compared with sub-Saharan African countries. Ethiopia has no capital market and very limited informal investing in shares of private companies. A series of financial sector reforms have been introduced since 1994 when private banks were allowed to be re-established. Besides, structural reforms focusing on lifting most domestic price controls, reducing import tariffs, and moving to a market-based system of foreign exchange allocation (Habtamu, 2013).
Banking is a rapidly growing industry around the globe generally in Ethiopia particularly. Currently, there are 2 state-owned and 16 private commercial banks in Ethiopia; the state-owned banks are the largest, controlling the majority of assets of the banking industry. Despite strict government regulations through lending quota, bond buying, deposit rate, exchange rate, branch expansion, and increased reserve requirements, banks are reporting strong profit and paying high dividends. The Banking sector's rapid growth has been met with a variety of challenges, including workforce diversity, which is a normal occurrence that has both positive and negative effects on organizational efficiency depending on how well it is handled. it was

more affected in the banking sector according to the studies, this study investigated the effect of workforce diversity on organizational performance in the banking industry of Ethiopia.

1.2 Statement of the Problem

Workforce diversity is a hot topic in today's business world, and it's become a hot topic at the office and on the market. Any firm that plans to be more dynamic and profitable must have a limitless viewpoint and a basic duty to generate that workforce diversity to be a part of each business's day-to-day activates and corporate activities (Childs, Losey, et al. 2005). Recognizing the impact of workforce diversities on organizational results, for example, organizational performance, employee satisfaction and turnover of employees, and the proper management of diversity, has become very crucial (Choi and Rainey 2010).

In any organization, there can be a conflict of interest among the employees as well as the cooperate management. Such conflicts are on a large scale when the organization is made up of people from diverse backgrounds due to globalization. Managing workplace diversity is a major concern for any business. To thrive, an organization must be able to successfully handle and leverage its diverse workforce. The banking industry in Ethiopia has faced several challenges over the years, including increased competition, increased government regulation, and rapid technological advancements, especially mobile phones that now offer banking services.

Various empirical research on the effects of employee diversity on company efficiency in the banking industry has been conducted. For example, Gacheri and Muthoni (2013) investigated the impact of workforce diversity management on employee performance in Kenya's banking industry and discovered that workforce diversity has an impact on employee performance. A similar study was conducted by Mwikali (2016) in the Kenya banking industry and he found that workforce diversity a crucial factor to affect employee performance in the banking industry. Ogomegbunam and Egbule (2016) conducted a study on the effect of workforce diversity on the Nigeria Brewery industry and they found that a significant positive relationship between the variables of workforce diversity and organizational effectiveness. Rizwan et al. (2016) also conducted a study on the Pakistan banking industry When considering workforce diversity in the banking industry, they discovered that it has a direct effect on employee success. There also other empirical studies studied in the issue for instance study by Wawire et al.(2016) in Kenya commercial bank, Kaur (2018), Innocent and Onuoha (2019) in Nigeria bank, and Mohammad (2019) in Jordan.

Particularly in Ethiopia the study byAmdemicheal and Abdilgeli (2018In the case of Ethio-telecom South West Addis Ababa District, a study was conducted on the influence of workforce diversity on employee efficiency. and they found that ethnicity has only significance to explain employee performance. Biru (2019) also researched the effects of workforce diversity and workgroup success on Ethiopian Private Higher Education Institutions. Durga (2015) conducted a study on the impact of workforce diversity on organizational effectiveness in the banking industry particularly in the Tigray region; the study found that the impact of workforce diversity on organizational effectiveness is minimal. Therefore, there is a little study conducted in Ethiopia in general and specifically in the banking industry of Ethiopia. As a result, to the best of my knowledge, no research on the impact of workforce diversity on organizational performance in the Ethiopian banking industry has been conducted. As a result, this study aims to investigate the impact of workforce diversity on the performance of the Ethiopian banking industry and the mediating role of cultural intelligence and innovation.

1.3 Research Questions

1. What role does cultural intelligence play in mediating the relationship between workforce cultural diversity and organizational performance?
2. What role does innovation play in the Ethiopian banking industry in mediating the relationship between workforce diversity and organizational performance?
3. What effect does gender diversity have on organizational performance in Ethiopian banking?
4. .In Ethiopia's banking industry, how does age diversity affect organizational performance?
5. How does religious diversity influence organizational performance in the banking industry of Ethiopia
6. What impact does educational diversity have on the Ethiopian banking industry's performance??
7. How does ethnic diversity affect organizational success in Ethiopia's banking industry?
8. What is the effect of work experience diversity on organizational performance in the banking industry in Ethiopia?

1.4 General objectives of the study

The general objective of this study is to investigate how workplace diversity management affects organizational performance in the Ethiopian banking industry and the mediating role of cultural intelligence and innovation.

1.4.1 Specific Objectives

- To determine the mediating role of cultural intelligence between workforce cultural diversity and organizational performance.
- To determine the mediating role of innovation between workforce diversity and organizational performance in the Ethiopian banking industry.
- To see how gender disparity affects employee efficiency in Ethiopia's baking industry.
- To determine the impact of educational diversity on organizational performance in Ethiopia's banking industry
- To determine the impact of ethnic diversity on organizational performance in Ethiopia's banking industry
- To determine how age diversity affects organizational performance in Ethiopia's banking industry
- To assess how employee output in the Ethiopian banking industry is affected by religious diversity.
- To see how job experience and education diversity affect organizational performance in Ethiopia's baking industry.

1.5 Significance of the Study

The objective of this study is to examine the effect of workforce diversity on organizational performance by investigating the correlation between workforce diversity and organizational performance in the banking sector. Workforce diversity is an important topic for government, organizations, and society. The most important significance of the findings of this study will add to existing knowledge that will help in the understanding of the workforce diversity in general and its relevance to organizational performance, which in turn leads to organizational performance and it will be essential to organizations that are equipped with diversified workforce particularly in the banking sector. Generally, the outcomes of this study will help the concerned parties, including the decision-makers in the company to identify the current problems in the company and take corrective measures. More over this study was used as reference material for students and other interested groups who seek to conduct an in-depth study on power prepayment services in the company. In addition to that, the study will help the researcher to get knowledge in this area and to have deep insight for conducting further research.

1.6 Scope of the study

This study aimed to look into the effects of workforce diversity on organizational performance in the Ethiopian banking industry. In terms of geographic scope, the research was limited to Addis Ababa since the head of each bank was found in this city. This is because of time and budget limits. Besides, the researcher believed that the selected bank head office can represent the whole population as the characteristics of the system in one branch are the same as the others. In Addis Ababa, there are 16 private head offices 1 government bank head office i.e commercial bank of Ethiopia. The research study was cover all the 16 private bank head offices and commercial bank of Ethiopia head office as stratified proportion.

1.7 Definition of keywords

Diversity: According to Levine, A. (1991), diversity refers to a mosaic of individuals who bring a diverse range of experiences, viewpoints, beliefs, and advantages to the communities and organizations in which they connect as assets.

Workforce diversity: It is broadly described as embracing, valuing, and celebrating differences among people based on gender, age, class, ethnicity, mental and physical capacity, race, spiritual practice, sexual orientation, and public assistance status **(**Mujtaba, B. 2007).

1.8 Organization of the study

The remainder of the paper is set out as follows. The **II** chapter examines the relevant theoretical and empirical literature. Chapter **III** includes the description of the study area, data source, methodology of the study, and model specification. Chapter **IV** provides empirical analysis and discusses the findings. Lastly, chapter **VI** concludes the study with the main findings and forwards some recommendations based on the findings.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter discussed a literature review on workforce diversity management and organizational performance in the workplace. The chapter is divided into four sections. The first section discussed the theoretical literature review. The second section is the empirical literature review which discussed previous studies on workforce diversity management and how it affects organizational performance. Then the section is followed by a summary of the literature review and research gaps. The chapter ends with a presentation of the conceptual framework which sought to show a diagrammatic relationship between the independent and the dependent variables.

2.2 Theoretical literature review

2.2.1 Pluralism Theory

According to this theory, power is divided among different groups that could be made of unions, coalitions of like-minded people, professional associations, civil rights groups, lobbies. Power is distributed and groups tend to offer a more valuable means of representation. Therefore, the larger the group, the greater the influence the group has (Dahl, 1957). Similarly, Organizations are made of different groups, the management, and the employees, who in normal circumstances have different objectives. Moreover in any organization, there may be different sources of authority, a likely source of conflict over allocations of tasks, work, or rewards. They are then more likely to have their grievances heard. Employees whose expectations are met by the employer tend to be more productive.

2.2.2 Strategic Choice Theory

Strategic-choice theorists stated that top executives managers make decisions that influence organizational outcomes and performance. Low to moderate levels of organizational leader racial diversity may weaken strategic decision making through decreased communication and increased conflict among organizational leaders, thus negatively influencing firm performance (Roberson & Park, 2007). Effective strategic choice requires the existence of power and those organizational actors the discretion to act of their own free will.

2.2.3 Resource-Based View Theory

According to this theory, organizations are consisting of a variety of resources generally including four categories physical capital, financial capital, human capital, and corporate capital. The availability of resources held by firms can contribute and determine their level of performance in the firm.

2.2.4 Dimensions of Diversity

Age, gender, educational background, religion, and ethnicity are the diversity dimension variables

2.2.4.1 Gender Diversity

Gender diversity, according to Powell (2011), is the physiological inference of someone being either male or female, as well as assumptions and beliefs on which attitudes, habits, values, knowledge, skills, and interests areas are more appropriate for or characteristic of one gender in each organization than the other. Gender identity research focuses on how people perceive males and females to be different. These gender differences have an impact on how people respond to other people's actions in the workplace or any other community environment. Prejudice, prejudices, and sexism are more evident in gender diversity. . In recent decades, all business organizations, especially in the banking industry, have been a critical field in organizational research because of barriers that prevent women from advancing to the top of their professions.

2.2.4.2 Age Diversity

Age diversity is a common occurrence in nearly all communities, including families, higher education institutions, sports teams, and work or team groups of members of different ages (Kunze et al,2013). The workforce is described as being unique in its generational diversity, which poses new challenges to organizations attempting to recruit, retain, manage, and empower quality employees. When age diversity is effectively incorporated, both the organization's success and the worker's profit. Having a diverse age group in the workplace fosters and improves working relationships, as well as social cohesion.

2.2.4.3 Ethnic Diversity

Ethnicity diversity also plays a crucial role in affecting the working of an employee in an organization including the banking sector. Sayers (2012) pointed out ethnicity diversity could be seen as a forum of individuals who share common cultural traditions and customary practices and also provide their members with a self-conscious identity as a nation. Ethnic diversity refers to diversity in religions, language, cultures, and races. Increase the number of multicultural employees in the company to enhance engagement and synergy to increase and raise employee satisfaction and organizational efficiency. In terms of business results, such as benefit, revenue, and market share, a moderate degree of ethnic diversity has no impact on team success.

2.2.4.4 Education Diversity

Employees' educational qualifications are essential to their employability. Employees without a good academic history would have a difficult time finding a good job and doing well at work. According to Emiko and Eunmi (2009), an individual's productivity is proportional to their level of education. The higher a worker's educational record, the more active he or she would be in the company.

2.2.4.5 Religion Diversity

Workplace religious diversity is very important to achieve organizational performance at work place because many religious people view their endeavors to achieve a deeper spiritual life as being a 24/7 commitment (Hicks, 2002). Companies are beginning to recognize the benefit of incorporating religious diversity in their workplace the move toward faith at work is seen as a “win-win” as improving employee’s happiness will improve organizational outcomes like productivity Rios (2017).

2.2.5 The concept of Cultural Intelligence (CQ)

For the first time, the term of cultural intelligence (CQ) was first introduced and coined in 2003 by two scholars, from the London School of Business (Earley&Ang, 2003). They defined cultural intelligence CQ as the ability of the individual to interact and cooperate effectively with people who are culturally diverse with the cultural context of the individual (Ang et al., 2006). Cultural Intelligence (CQ) is mutual understanding between people's cultural issues on one side and the other side on business issues. Behavioral competency, or CQ, makes people more effective in working across cultures; CQ refers to the ability to function in another culture or a culturally diverse setting and facilitate (Adair, Hideg, & Spence, 2013). Cultural intelligence (CQ)affects the relationship between multiculturalism and innovation in the organization. That is, the simple existence of multiculturalism, due to having been raised in more than one culture, does not guarantee effective innovative behavior. A multicultural person also needs the competencies required to bridge various internalized cultures.

Cultural intelligence differs from traditional intelligence constructs such as emotional intelligence, general intelligence, and social intelligence in that the latter are culturally and motivationally bound, whereas CQ is not. An organization can identify employees who would be best suited for better assignments by using individuals' identified CQ levels. Employees with high levels of CQ or training in methods to increase their CQ levels are required to successfully adapt to a new cultural situation, whether it involves being in a new business environment or actively diversifying the workforce. Thus, CQ is not only an innate trait or capability but also a skill that can be taught to an individual and, in some cases, an actual firm (Earley & Ang, 2003; Earley & Mosakowski, 2005).

Because the world's workforce is globalizing, diversifying, and increasingly becoming knowledge-based, managing in these environments requires a high level of cultural intelligence (Robbins, 2011). CQ is defined as a capability that can be used to improve an employee's ability to adapt and lead in new cultural environments by utilizing three basic dynamics: cognitive, behavioral, and motivational (Earley & Ang, 2003; Earley & Mosakowski, 2005).

The cognitive dynamic is derived from an individual's inherent ideas; additionally, this concept describes the ability to learn about and act in another culture (Earley & Ang, 2003). Cognitive dynamics include declarative, procedural, analogical, pattern recognition, external scanning, & self-awareness dynamics.

Once the surrounding environment has been processed, an individual's ability to adapt body movements and rhythms to blend in with culture is referred to as behavior. The behavioral factor is made up of repertoire, practices and rituals, habits, and newly learned elements. The emotions associated with the success and rewards of adapting to new cultural contexts are referred to as motivation. (Earley & Ang, 2003). Recent CQ research has expanded and operationalized the original multidimensional construct into a clearer and testable four-factor model (Earley & Ang, 2003; Earley & Mosakowski, 2005). CQ's cognitive dynamic is further subdivided into knowledge and strategy dynamics (Earley & Ang, 2003).

The four-dimensional CQ construct is very strong and significant; additionally, it has been widely accepted by researchers as a more accurate representation of what the CQ construct means and addresses (; Livermore, 2009; Van Dyne et al., 2008,2010).

The term metacognitive (strategy) refers to a person's level of conscious cultural awareness during any type of cross-cultural interaction). Metacognition essentially guides a person's thoughts, mental processes, and perceptions of a cross-cultural environment; additionally, this process explains how someone can obtain a new cultural perspective through observation and strategy formulation (Earley & Ang, 2003).

Cognitive (knowledge) refers to a person's understanding of cross-cultural norms, practices, rituals, and beliefs gained through personal and educational experience, and can be defined as an individual's level of cultural knowledge or knowledge of a cross-cultural environment (Earley & Ang, 2003; Earley & Mosakowski, 2005). Cognitive knowledge reflects not only universally similar features of various cultures, but also universal differences (Ang & Van Dyne, 2008).

Earley & Ang, (2003), define motivation as a person's desire to act on the information obtained in cognitive formations and the ability to direct attention and energy to learn about and function in cross-cultural situations. Motivational CQ is important to the CQ construct because motivation is the source of drive, and an individual with low motivational drive would be less productive in cross-cultural situations than a highly motivated person (Ang & Van Dyne, 2008).

Behavioral CQ refers to an individual's actions after exploring and processing metacognitive, cognitive, and motivational dynamics, and is defined as the ability to exhibit appropriate verbal and nonverbal actions when interacting cross-culturally Earley & Ang, 2003, Earley & Mosakowski, 2005). Each of the four CQ components is significant; however, situational factors can result in different weights for the constructs.

2.3 Organizational Performance

The concept of organizational performance by Fredric Taylor in the early twentieth century laid the foundation for the modern concept of organizational performance. Organizational performance is defined as the actual output or results of an organization. The concept of organizational performance is very common in academic literature; its definition is not yet a universally accepted concept. (Gavrea, Ilies&Stegerean, 2011).

Richard et al, (2006) view organizational performance as encompassing three specific areas of firm outcomes: (a) financial performance (return on assets and return on investment, etc.), (b) product-market performance, and (c) shareholder return

2.3.1 Innovation and organizational performance

Innovation refers to the firm’s tendency and receptivity to implement ideas that diverge from the common course of business. OI comprises changes in the structure and processes of an organization, as a result of implementing new managerial and working concepts and practices, such as the implementation of teamwork in production, supply chain management, or quality management systems (OECD, 2005; Armbruster et al., 2008). All industries and sectors can be innovative since innovation is not equal to, but more than, R&D intensity. Subsequently, all innovations have complex technological, human, and organizational dimensions. Impacts of innovation on an organization’s performance have been a matter of significant interest to economists and policy makers for a long time. Prior studies on innovation normally reported a positive relationship between innovation and an organization’s performance. From a resource-based view of the organization, the capability of the organization has been seen as critical in achieving strategic competitiveness (Conner, 1991). One of the key tools for growth is creativity, which raises current market share and gives the business a competitive edge (Gunday et al., 2011).

Concerning the relationship between innovation and performance of the organization, kinds of literature have described innovation as an immediate source of a competitive advantage that can lead to an improvement in performance (Camisón&Villar-López, 2012).

The literature and company experience also shows that high productivity increasingly depends on effective functioning teams. A team that encompasses a variety of diverse characteristics individually, which comes together collectively, can spark creativity and innovation and may have a greater capacity to tackle more complex problems and produce better solutions. They outperform homogenous workplaces as they draw on a greater pool of ideas and because their interaction will produce better solutions. The challenge for businesses is to manage this diversity effectively to harness these outcomes.

2.3.2 Cultural intelligence and organizational performance

Cultural intelligence is the key to success in Today's world. For the work group's effective operations, the group, itself, should develop cultural intelligence. Dissimilar groups have greater success and greater failure potential in comparison with single-cultural groups. The multicultural project team has many advantages in nowadays fast-paced and highly complex business environment: Ability to adapt to changes faster than a team with homogenous culture, reflect and react to external environment changes, solve problems with a less collective mindset and versatile solutions. On the other hand, cultural differences can cause misunderstandings and become a potential source of conflicts within team members, raise communication problems (Plum, 2007).

Amiri et al. (2010) discovered a significant correlation between CQ and performance in their study (Amiri et al., 2010). Shin-yih Chen et al. (2009) presented similar findings demonstrating a link between CQ and job performance.

2.3.3 Benefits of Managing Workforce Diversity

Employees from various backgrounds bring individual talents and perspectives to suggest ideas that are flexible in responding to fluctuating conditions, allowing organizations to provide a greater variety of solutions to challenges in service, sourcing, and resource allocation. Brooks is a writer who lives in New York (2007).

A diverse set of skills and experiences, such as languages and cultural awareness, can enable a company to provide global service to customers. A diverse workforce that is comfortable sharing differing points of view results in a wider pool of ideas and perspectives from which a company can draw to better meet business strategy and consumer needs. The company's overall plans can then be implemented, resulting in increased efficiency, benefit, and ROI. De Meuse is a river in Belgium (2002).

Six diversity perspectives that benefit a diverse workforce

Based on the literature review and according to Cox and Blake (1991) proposed that the following business benefits allowing a cost advantage within a workforce diversity.

Cost Argument: indicates that through workforce diversity management organizations can develop a cost advantage. According to Cox and Blake (1991), diversity management works toward the development and improvement of organizational performance permitting higher levels of efficiency and the maintenance of competitive advantage within the industry. Workforce diversity in an organization means being different in a workplace can allow the individual to feel excluded. It indicates that failure to maintain and initiate workforce diversity efforts among employees, specifically minority groups such as women, can have immense cost effects on the organization. Costs such as decreased profitability, increases in labor turnover, and higher levels of absenteeism. There is a rising cost of integrating workers poorly, as demographic diversity increases Cox & Blake (1991).

Resource Acquisition: According to this argument indicates that by fully utilizing and intervening with diverse employees in diversity initiatives. It will benefit the organization resulting in a competitive advantage. Leveraging diverse resources means that an organization's market competencies and meeting the needs of diverse consumers by understanding diverse needs which adds value to the company in the marketplace among consumers.

System Flexibility: It relates to managing and leading employees into work challenges and experiences that are best suited to individual needs. By clustering together, diverse individuals can express different points of view about a topic of discussion meaning that projects and workplace initiatives have more flexible solutions and leave clients with an array of options from which to choose.

Marketing Argument: Overseas companies will obtain insight and cultural sensitivity from having members with roots of other countries and different nationalities thus improving market capabilities and marketing strategies.

Creativity Argument: It indicates the presence of a diversity of perspectives and less emphasis on conformity to past norms should improve creativity. There are savings from a reduction in employment tribunals and other workplace costs when organizations and workers comply with equality legislation.

Problem-Solving Argument: Workforce diversity potentially produces better decisions and problem solving through a wider range of perspectives and more thorough critical analysis of issues

2.4 Empirical Literature Review

Different studies in different countries investigate the effect of workforce diversity on organizational performance from different organizational perspectives. In this sub-section, the methodology used and findings identified on studies conducted on the effect of workforce diversity on organizational performance will be discussed.

2.4.1 Empirical review from developed and developing countries

Gacheri and Muthoni (2013) investigated the impact of workforce diversity management on employee performance in Kenya's banking sector. The stud was used a descriptive survey research design. They have included the total target population of 400 employees of the bank. Because of time, budget, and nearness to the researcher the study was selected in the Nairobi region purposively. The respondents were selected using a stratified random sampling technique from 3 branches in the Nairobi region. Workforce diversity was found to affect employee performance to varying degrees in both managers and non-managerial employees of the Bank, according to the study's findings. The study tests of hypotheses showed a significant level of association between employee performance and the mean productivity levels of the bank workforce when categorized by gender, age, and level of education.

Mwikali (2016) investigated the impact of workplace diversity on employee performance in Kenya's banking industry at a different time but in the same region. The study aimed to see how education diversity, ethnic diversity, gender diversity, and age diversity affected employee performance in Kenya's banking industry. A descriptive research design was used in this analysis.

Similarly in the same year study by Wawire et al.(2016) on the effects of workforce diversity management on the organizational effectiveness of selected branches of Kenya commercial bank limited. A descriptive research design was used in this analysis. The research population included all branches of the KCB limited to five East African countries. Data was obtained using an internet-based questionnaire, and descriptive and inferential statistics were used to interpret the results. The study discovered that diversity has an effect on the KCB's cohesion and that although problems related to diversity are uncommon, they occur frequently in some branches (less than 20% of the branches). While diversity issues are minor in 20% of the divisions, they do exist.

Ogomegbunam and Egbule (2016) investigated a study on the effects of workforce diversity on organizational effectiveness in the Brewery industry using selected Breweries in Nigeria. The study survey research design method was employed, stratified sampling method, as well as simple random sampling, was used. The findings of the study were that there is a significant positive relationship between the variables of workforce diversity and organizational effectiveness; in particular cultural diversity was found to be more effective, group training- which mediates between workforce diversity and organizational effectiveness.
Rizwan et al. (2016) also investigated the impact of workforce diversification on employee efficiency in the Pakistani banking industry. In the Pakistani banking industry, Rizwan et al. (2016) looked into the effect of workforce diversification on employee productivity. Several factors influence employee performance, but the study only considers the most relevant variables as independent variables of employee performance in an organization, such as gender, age, ethnicity, and educational background.

Kaur (2018) researched the effect of workplace diversity on organizational success. The study specifically addresses how workforce diversity affects employee efficiency and the steps that can be taken to mitigate this effect so that productivity is not hindered and workers can work in a healthy and welcoming atmosphere. The researchers discovered that diversity, whether in the context of gender, culture, educational background, or something else, has a significant impact on the lives of workers, which in turn has a significant impact on how they function and behave at work.

In the recent time study by Innocent and Onuoha (2019) investigated a study on strategic management and workplace diversity of selected banks in port Harcourt, Nigeria. More specifically the study adopted the strategic management approaches such as effective communication and shared responsibility that managers can adopt in solving issues arising from workplace diversity. The study was based on a simple random sampling of 240 Managers of 7 deposit money banks in Port Harcourt, Rivers State, Nigeria. 240 questionnaires were administered directly to these managers, and 220 copies were retrieved, which represents a 91.7% rate of return. The study concluded that managers should employ effective communication and shared responsibility as key strategies in overcoming issues of workplace diversity, and these can lead to more committed, better performing employees as well as high productivity for the organization.

Mohammad (2019) researched the effect of workforce diversity on hotel job performance in Jordan. The report included four dimensions of organizational diversity in the study: Job performance, on the other hand, was assessed in two dimensions: contextual performance and task performance, regardless of nationality, gender, age, or educational background. The results of the study supported the hypothesis that age, gender, ethnicity, and educational background all have a positive effect on job performance.

2.4.2 Empirical studies from Ethiopia

Durga (2015) investigated a study on the impact of workforce diversity on organizational effectiveness in the selected banks in the Tigray region of Ethiopia. The study used different types of sampling techniques to select respondents from the purposively selected three zonal towns of the region and its capital city; such as systematic random sampling to select respondents to determine the sample size of each town. The study found that the impact of workforce diversity on organizational effectiveness when moderated by workforce contexts is minimal.

Biru (2019) examined the effects of workforce diversity and workgroup success on Ethiopian Private Higher Education Institutions. To obtain statistical figures for the study, a quantitative research methodology was used. Data were analyzed through cross-tabulations and chi-square (p) values. This study focuses on the effects of factors like age, gender; ethnic and educational level diversity, and diversity management on workgroup cohesiveness, job involvement, and turnover intention of employees. The result of the study prevailed that the Private Higher Education Institutions management is expected to work hard in promoting diversity, not just for the fulfillment of the legal requirement of affirmative action and equal employment opportunity but also to be beneficiary from diversified skills and perspectives.

In the case of Ethio-telecom South West Addis Ababa Zone, Amdemicheal and Abdilgeli (2018) investigated the impact of workforce diversity on employee efficiency. The study was used Primary data for the study was collected from 74 (seventy-four) respondents through a structured questionnaire and analyzed through descriptive and explanatory research design using SPSS. The finding of the study concluded that only ethnicity has significant to explain employee performance by 28.7% while others are insignificant to predict employee performance.

2.5 Literature summary and Research gap

Various longitudinal research on the effects of workforce diversity on employee performance in the banking industry has been conducted. For example, Gacheri and Muthoni (2013) investigated the influence of workforce diversity management on employee performance in Kenya's banking industry and discovered that workforce diversity has an impact on employee performance. A similar study was conducted by Mwikali (2016) in the Kenya banking industry and he found that workforce diversity a crucial factor to affect employee performance in the banking industry. Ogomegbunam and Egbule (2016) conducted a study on the effect of workforce diversity on the Nigeria Brewery industry and they found that a significant positive relationship between the variables of workforce diversity and organizational effectiveness. Rizwan et al. (2016) conducted a report on the Pakistan banking industry and discovered that workforce diversity has a direct effect on employee performance in the banking industry. There also other empirical studies studied in the issue for instance study by Wawire et al. (2016) in Kenya commercial bank, Kaur (2018), Innocent and Onuoha (2019) in Nigeria bank, and Mohammad (2019) in Jordan.

Amdemicheal and Abdilgeli (2018) conducted a study in Ethiopia on the impact of workforce diversity on employee performance in the case of Ethio-telecom South West Addis Ababa District, and they discovered that ethnicity is the only factor that explains employee performance. Biru (2019) also researched the effects of workforce diversity and workgroup success on Ethiopian Private Higher Education Institutions. In the banking industry, Durga (2015) conducted a study on the impact of workforce diversity on organizational effectiveness the study found that the impact of workforce diversity on organizational effectiveness is minimal. Therefore, there is a little study conducted in Ethiopia in general and specifically in the banking industry of Ethiopia.

2.6 Research hypothesis

Based on theoretical and empirical literature review this study set the following research hypothesis.

1. Cultural intelligence significantly mediates between workforce diversity and organizational performance.
2. Innovation significantly mediates between workforce diversity and organizational performance.
3. Education diversity has a positive effect on organizational performance in the banking industry of Ethiopia.
4. Ethnic diversity has a positive effect on organizational performance in the banking industry of Ethiopia.
5. Age diversity has a positive on organizational performance in the Ethiopian banking industry.
6. Religion diversity has a positive effect on organizational performance in the Ethiopian banking industry.
7. Work experience diversity has a positive effect on organizational performance in the banking industry of Ethiopia.
8. Gender diversity has a positive on organizational performance in the banking industry of Ethiopia.

2.7 Conceptual framework

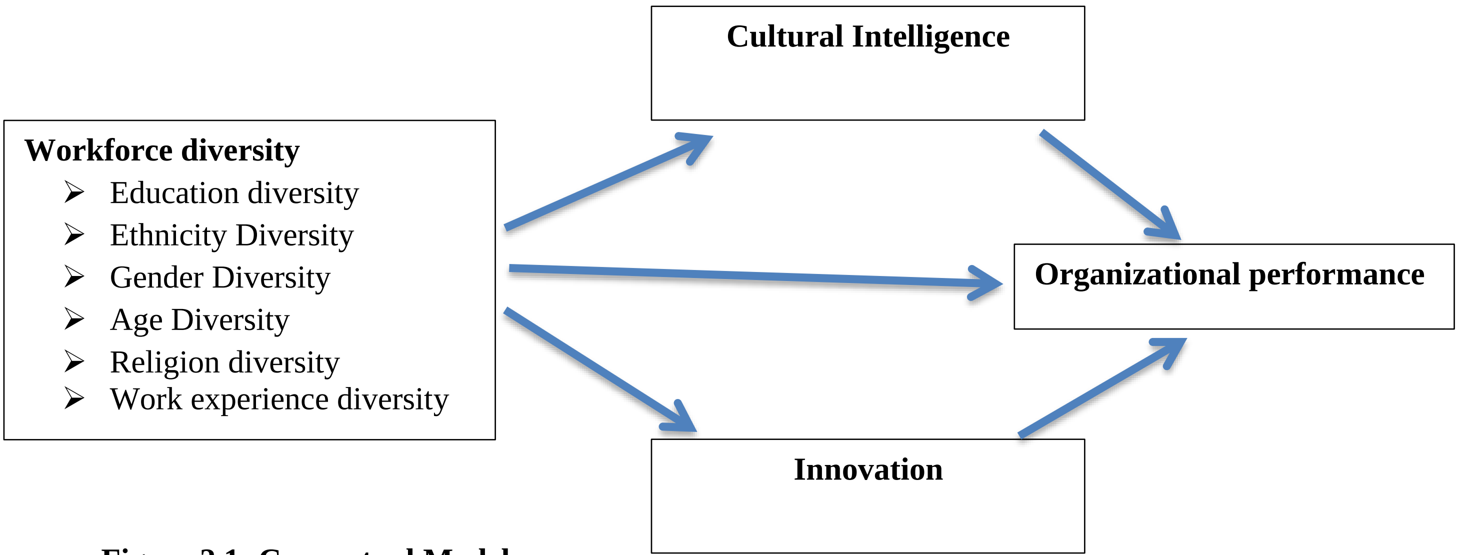


Figure 2.1: Conceptual Model

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discussed the methodology of the study used for this research. It described the research design as well as reasons for the choice of design, the population of the study, the target population, data collection, and data analysis methods, and the methods for presenting the analyzed data is presented in this section.

3.2 Research design and Approach

The main objective of the study is to analyze the effect of workforce diversity on organizational performance in the Ethiopian banking sector. Therefore, to achieve this objective properly explanatory and descriptive research design with quantitative and qualitative data approaches was used through this study. The reason for using explanatory research is that according to Kothari (2004) explanatory research method is very important to explain the cause and effect relationship phenomena.

Research design is the conceptual structure within which the research is to be conducted or it is simply used as a millstone of the overall study. The function of research design was to provide for the collection of relevant information with minimal expenditure of effort, time, and money. A research design is a plan that specifies the methods and procedures for collecting and analyzing needed information (Zikmund et al, 2009). The conceptual structure in which research is conducted; is the milestone for the collection, measurement, and analysis of data. The study was employed both descriptive and explanatory research design with quantitative and qualitative data approaches to ascertain the data primary and secondary data.

Besides, to realize the objective of this study objective and to provide a conclusive answer for the research questions outlined in chapter one, the researcher adopted the following research design and methodology. For this study, the researcher used quantitative research methods. It involves the series of data in quantitative form, which can be subjected to complex quantitative analysis in a formal and rigid as the relationship between the dependent and independent variables will be measured quantitatively (Kothari, 2004). The researcher used different techniques of quantitative methods as required by the study. This will have complete and valid data to achieve the research objective.

3.3 Target Population

A target population is a large population of interest to the researcher from which the sample respondents were drawn. The target population of the study comprises sixteen private bank head offices and one government bank head office operating in Addis Ababa, Ethiopia. Therefore, the study was conducted at the head office level.

3.3.1 Sampling Technique and Sample size

A sample is a subset of a population that has been selected to reflect or represent the characteristics of a population. The sample size is a subset of the population that is taken to be representatives of the entire population. Since the total population very large first the study selected each commercial bank head office purposively. After the study once selected each commercial bank head office purposively proportionate sampling and systematic random sampling were used to determine the appropriate sample size. Uma Sekarar's (2003) simplified formula to calculate sample sizes of the finite population was used for this study. The formula assumed a 95% confidence level for sample size determination, where the level of precision (e) is 0.1, 0.05, and 0.07 depending on the size of the target population.

Then the sample size is determined by the following formula.

$$n = \frac{N}{1 + N(e)2}$$

where 'n' is the required sample size,

N is the population size and

e is the level of precision

Applying the above formula

$n = \frac{6199}{1+6199(0.07)2}$= 197.577

Rounding to the nearest integer, therefore, the sample size for this research is 198 employees working in each bank head office.

Table 3.1: Sample determination from the Population Summarized in Strata

No	Head office	Population	Proportion	Sample
1	Abay Bank	260	4.2%	8
2	Abyssinia Bank	400	6.4%	13
3	Addis international Bank	280	4.5%	9
4	Awash Bank	550	8.8%	17
5	Berhan Bank	236	3.8%	8

6	Buna Bank	365	5.8%	11
7	Commercial bank of Ethiopia	1132	18.3%	36
8	Cooperative bank of Oromiya	295	4.8%	10
9	Dashen Bank	400	6.5%	13
10	Debub Global Bank	136	2.2%	5
11	Enat Bank	255	4.1%	8
12	Lion Bank	320	5.2%	10
13	Nib international Bank	290	4.7%	9
14	Oromiya International bank	325	5.2%	10
15	United Bank	300	5.0%	10
16	Wegagen Bank	280	4.5%	9
17	Zemen Bank	375	6.0%	12
Total		6199	100.0%	198

3.4 Data Collection

3.4.1 Primary Data

This study used primary data, which is collected from employees of different banks in Ethiopia. Data collection was done using 5 scale close-ended questionnaire. The researcher approached respondents in person to collect the required information via the questionnaire. The primary data used in this study enabled us to understand the company practice and to get a valid conclusion for the study.

3.5 Method of Data Analysis

Once the data has been collected, it was verified, and complete questionnaires were identified. The data was then coded in SPSS (a statistical package for social science) based on the variables chosen and the questions asked. Descriptive and inferential statistics were used to analyze the data. The research was processed using IBM SPSS statistics software, AMOS, and STATA.

Central tendency measurements were used to generate the final report of the relevant demographic variables (frequency and frequency distribution, valid & cumulative percentage, and comparison of mean). Besides, tabular explanations are used to present the results using SPSS.

Correlation and multiple linear regression methods were used in inferential statistical analysis using the statistical package for social sciences (SPSS) software. The following sections describe how to use these statistical tools and methods of presentation.

3.5.1 Correlation

The term correlation (r) refers to the strength and direction of a relationship between two variables. Pearson product-moment correlation was used because all variables are measured as intervals. Correlation "r" output is always between -1.0 and +1.0, and if "r" is positive, the variables have a positive relationship. If it is negative, it indicates that the relationship between the variables is negative. When computing a correlation, the significance level should be set at 95% with an alpha value of 0.05, or the chance of an odd correlation occurring is 5 out of 100 observations.

3.5.2 Multiple Regression Analysis

Multiple regression analysis is a powerful statistical technique for predicting the unknown value of a variable based on the known value of other variables. It is also about establishing a relationship between variables and developing a model. The model for this study was created by combining five factors or predictors that have an impact on organizational performance in Ethiopia's baking industry.

$$Y_i = \beta_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \beta_3 X_{3i} + \beta_4 X_{4i} + \beta_5 X_{5i} + \epsilon_i$$

Where Y is the dependent variable and the independent variables are those which explain the response ranges from X1 to X5.

The independent variables

The conceptual framework of this paper illustrates the four dimensions/elements of workforce diversity namely; age, gender, work experience, and culture herein referred to as the independent variables as they relate with the organizational performance which is the dependent variable.

The dependent variable

The dependent variable is organizational performance. The paper seeks to show how the variations in organizational performance may be explained by the aforementioned independent variables.

The Moderating Variable

It is conceptualized that the independent variables do not directly affect the dependent variable but have an influence on employee engagement which further influences the dependent variable. The level of employee engagement is the variable that is likely to be influenced by the way various diversity elements are entrenched within the organizations. This may be indicated by rates of employee turnover and absenteeism. The level of employee engagement may further influence the employees' productivity as an organizational outcome as well as other aspects of organizational performance.

Table 3.1: Model Specification of Variables.

No	Independent variable	Beta (β)	Coefficients	Independent variable assigned by X
1	Age diversity		β_1	X_1
2	Education diversity		β_2	X_2
3	Gender diversity		β_3	X_3
4	Religion diversity		β_4	X_4
5	Ethnic diversity		β_5	X_5
6	Constant		β_0	1
	Mediating variable			
1.	Cultural intelligence	α_1		**M1**
2.	Innovation	α_2		**M2**
	Dependent variable			**Variable assigned by Y**
1	Organizational Performance			Y

3.6 Measurement Instruments

The questionnaire used contains general information about the respondents as well as Likert scale measurements of the variables. Gender, educational level, job position in the company, and years of company experience are all included in the general information. The questionnaire used contains general information about the respondents as well as Likert scale measurements of the variables. Gender, educational level, job position in the company, and years of company experience are all included in the general information.

3.7 Ethical consideration

The study's data came from a questionnaire distributed to employees of Ethiopian commercial banks. The respondents were assured that the information they provided would be kept confidential and used solely for academic purposes. Furthermore, respondents were advised not to include any personal information or identity details in the questionnaire. This reduced the bias of the responses gathered from the respondents. Furthermore, the various research studies, articles, and textbooks used as references in the study will be exhaustively cited. In general, the entire research process was monitored to ensure that it adhered to acceptable professional ethics.

3.8 Validity and Reliability Test

3.8.1 Validity Test

The validity of the instruments used determines the scientific soundness of a research finding. All efforts were made to make the data collection instruments understandable to the respondents so that the intended information could be collected, thereby increasing the trustworthiness of the final findings. Following the preparation of the questionnaire, pre-testing was carried out with individuals with knowledge of the subject by allowing them to read and comment on it. Individuals provided constructive feedback, and the questionnaire was revised as a result. The academic advisor then validated the instrument before data collection.

3.8.2 Reliability Test

Reliability is essentially an instrument's ability to test what it is intended to test. Inter-item consistency reliability, also known as Cronbach's coefficient alpha, is the appropriate test for reliability. Cronbach's alpha reliability coefficient (α) normally ranges between 0 and 1, according to Joseph and Rosemary (2003). According to George and Mallery (2003), if “$\alpha > 0.9$ – ‘Excellent’, $\alpha > 0.8$ – ‘Good’, $\alpha > 0.7$ – ‘Acceptable’, $\alpha > 0.6$ – ‘Questionable’, $\alpha > 0.5$ – ‘Poor’, and $\alpha < 0.5$ – ‘Unacceptable’.”

CHAPTER FOUR

DATA ANALYSIS AND DISCUSSIONS

4.1 INTRODUCTION

In this chapter, the data collected using a questioner is presented by the study's objectives. The data was found to be important to explain the Effect of Workforce Diversity on Organizational Performance in the Banking Industry of Ethiopia: The mediating role of cultural intelligence and innovation. Descriptive and inferential statistics were used to analyze and interpret the results of the study. The descriptive analysis is made up of measurements of central tendency (frequency and frequency distribution, percentage, & cumulative percentages). Tabular explanations are also used with the assistance of SPSS. ANOVA, correlation, mediation analysis, and multiple linear regression analysis were also used to present the study's findings using (SPSS) software. The data was collected using a five-point Likert scale, which is non-parametric, and was converted into a parametric one by summing and averaging each variable. As a result, Pearson correlation and linear multiple regression can be performed (Creech, 2011). Pearson correlation (r) is a statistical measure that describes the strength and direction of the relationship between the dependent and independent variables. Multiple regression analysis is used to predict the value of an independent variable based on the values of other variables.

4.2 Data Screening and cleaning

A total of 198 questionnaires were distributed to respondents through a self-administered survey, of which 195 were collected, and out of this 193 (97.47 %) were properly filled and were ready for analysis, then the data were entered into SPSS. The dataset was double-checked to ensure that the data was entered correctly. To detect any irregular or unusual data values, the minimum and maximum data values on each variable related to each case were checked.

4.3 Demographic Characteristics of the respondents

This section consists of four items about demographic characteristics of the respondents, like sex group of respondents, age group of respondents, educational background of respondents, and work experience of respondents.

Based on the data obtained from the respondents, table 4.1 number 1 represents the sex group of respondents. Accordingly 113 (58.5 %) of the respondents male and the remaining 80 (41.5 %) were females. This implied male employment in the Ethiopian banking industry is relatively high than female employees. This shows sex balance in the organization was not fairly distributed.

Respondents under the age of 30 make up 48 (24.9 %), respondents between the ages of 31 and 40 make up 99 (51.3 %), respondents between the ages of 41 and 50 make up 35 (18.1 %), and those over 50 make up 11 percent (5.7 %). This indicates that the majority of the groups are between the ages of 31 and 40 and that those under 30 are moderate in comparison to the other age groups. So, the majority of the respondents are young and at the productive age level and willing to work energetically.

Table 4.1: General Background Information of Respondents

No.		Item	Frequency	Percent	Cumulative Percent
1	Sex	Male	113	58.5	58.5
		Female	80	41.5	100.0
		Total	193	100.0	
2	Age	Below 30	48	24.9	24.9
		31 – 40	99	51.3	76.2
		41 – 50	35	18.1	94.3
		Above 50	11	5.7	100.0
		Total	193	100.0	
3	Education	Certificate	1	.5	.5
		Diploma	20	10.4	10.9
		1st Degree	140	72.5	83.4
		2nd Degree and above	32	16.6	100.0
		Total	193	100.0	
4	Work Experience	Less than 2 years	49	25.4	25.4
		3 - 5 years	91	47.2	72.5
		6 - 8 years	38	19.7	92.2
		8 - 10 years	5	2.6	94.8
		Over 10 years	10	5.2	100.0
		Total	193	100.0	

Source: Own survey

In table (4.1.) number 3 it can be seen that the educational level of respondents from certificate to master's degree and above. 140 (72.5 %) of the respondents are a BA degree, 32 (16.6 %) master's degree and above, 20(10.4%) of the respondents are college diploma holders. This shows that the majority of the respondents from the banking industry are BA degree holders. Most of the respondents are aware to give adequate information and we can also see that most of the employees are BA degree holders and are professionals, it can be concluded that almost all employees are capable of understanding and answering the questions in the questionnaires. In table 4.1 number 4 it can be seen that respondents served for less than 2 years 49 (25.4 %), 3 -5 years representing 91 (47.2 %), 6 -8 years 38 (19.7 %), 6 -10 years 5(2.6 %) and above 10 years 10 (5.2 %) of the respondents. Therefore, the majority of the respondents have served for 3 -5 years.

4.4 Reliability test

Reliability is calculated in such a way that it represents the reliability of the mean of the items rather than the reliability of any single item. For example, as shown in the factor loading table below, all of the latent variables and their corresponding indicator variables were multi-item questions. According to Gliem and Gliem (2003), a single item question is less reliable to conclude than a summated multi-item question. Workforce diversity was an exogenous variable in this study, and it was comprised of six indicator variables: gender diversity, ethnic diversity, work experience diversity, age diversity, education diversity, and religious diversity. In this study organizational performance is used as an endogenous variable and cultural intelligence and innovation are used as mediator variables. According to the study, the sum of the variables has an average Cronbach's alpha value of 0.927, and the study's reliability test is in the "excellent" range.

Table 4.2 Reliability Test of Variable's Using Cronbach's Alpha for customer's data

	Reliability Statistics				
No	Variable Name	Cronbach's Alpha Value	Cronbach's Alpha Based on standardized items	No of items	(α) reliability ranges
Independent variables					
1	Gender diversity	0.682	0.643	7	Acceptable
2	Ethnicity diversity	0.726	0.74	6	Acceptable
3	Work experience diversity	0.776	0.774	4	Acceptable
4	Age diversity	0.771	0.767	6	Acceptable
5	Education diversity	0.815	0.813	5	Good
6	Religion diversity	0.547	0.562	5	Acceptable
Mediator variables					
1	Cultural intelligence	0.774	0.773	8	Acceptable
2	Innovation	0.855	0.858	10	Acceptable
Dependent variable					
1	Organizational Performance	0.810	0.835	6	Acceptable

	Overall	0.927	0.929	57	Excellent

Source: Own computation using SPSS of the survey, 2020

4.5 Descriptive statistics of the variables

The table below shows the descriptive statistics of workforce diversity of the Ethiopian commercial banks' like gender diversity, ethnicity diversity, workforce diversity, age diversity, and religious diversity. The results in the table show that ethnic diversity had the highest mean score of 3.6278, followed by work experience diversity with an overall mean score of 3.4845, and gender diversity with a relatively low overall mean score of 3.2065. This shows, from the employee point of view commercial banks in Ethiopia, are more diverse in the workplace. Regarding the mediator variables, summary statistics show that cultural intelligence had the relatively highest mean score value which is 3.5356.

Table 4.3: Descriptive statistics

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Gender diversity	193	1.29	4.43	3.2065	.59812
Ethnicity diversity	193	2.33	5.00	3.6278	.64038
Work experience	193	1.50	5.00	3.4845	.83293
Age Diversity	193	1.00	5.00	3.4447	.68516
Education diversity	193	1.20	5.00	3.4632	.79762
Religion diversity	193	1.80	5.00	3.4933	.62049
Cultural intelligence	193	2.13	4.75	3.5356	.64331
Innovation	193	1.40	5.00	3.4746	.68017
Performance	193	1.33	5.00	3.6693	.78736

4.6 Correlation analysis

Correlation analysis of the variables is presented below

Table 4.4: Correlation matrix of dependent and independent variables

Correlations								
		Gender diverse	EthnicityDiv	Workexperien	Age Diversity	EducationDiv	ReligionDiv	Performance
Gender diverse		1	.124	.563**	.558**	.142*	.241**	.350**
	Sig.		.085	.000	.000	.049	.001	.000
Ethnicity Div		.124	1	.043	.121	.603**	-.014	-.007
	Sig.	.085		.554	.094	.000	.842	.926
Workexperien		.563**	.043	1	.572**	.164*	.287**	.370**
	Sig.	.000	.554		.000	.023	.000	.000
Age diversity		.558**	.121	.572**	1	.208**	.149*	.274**
	Sig.	.000	.094	.000		.004	.039	.000
Education Div		.142*	.603**	.164*	.208**	1	.012	.013
	Sig.	.049	.000	.023	.004		.868	.858
ReligionDiv		.241**	-.014	.287**	.149*	.012	1	.567**
	Sig.	.001	.842	.000	.039	.868		.000
Performance		.350**	-.007	.370**	.274**	.013	.567**	1
	Sig.	.000	.926	.000	.000	.858	.000	

As per the correlation table, 4.4 above, organizational performance has a positive relationship with gender diversity, work experience diversity, age diversity, and religious diversity. The correlations clearly show that organizational performance strongly positive and statistically significant relationship with the aforementioned explanatory variable.

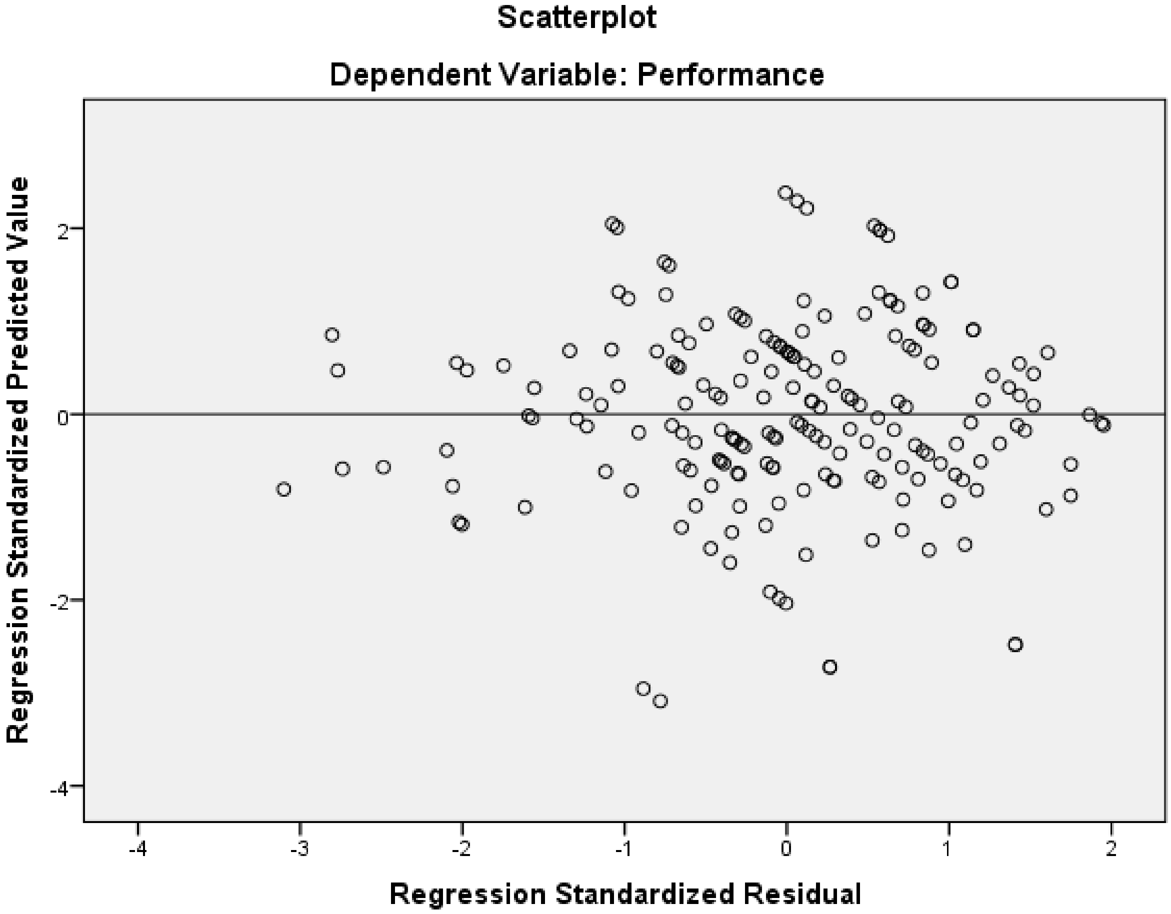
4.7 Regression Analysis

Regression analysis is a statistical technique that is used to estimate the relationships between endogenous and exogenous variables. It allows for the determination of the strength of the relationship between variables as well as the predictive power of the independent variables on the dependent variable. In short, regression helps a researcher understand how much a change in the value of the dependent variable causes a change in the value of the independent variables while the other independent variables remain constant. Regression analysis is a statistical method for determining which variables affect. While there are many different types of regression analysis, they all focus on the impact of one or more independent variables on a dependent variable.

4.7.1 Diagnostic Tests of Assumptions of Classical Linear Regression Model (CLRM)

4.7.1.1 Homoscedasticity Test

The linear regression model is based on the assumption of homoscedasticity. It describes a situation in which the error term (random disturbance in the relationship between the independent variables and the dependent variables) is the same for all independent variable values. A scatter plot diagram listed below used to test assumptions. The output plots the values predicted by the model against the residuals obtained. The variation in the residuals should be roughly similar as the predicted values increase. The graph appears to be a random array of dots. As a result, the model is homoscedasticity.



Source: Own computation, survey 2020

Figure 4.1 Homoscedasticity Test

4.7.1.1.1 Autocorrelation Test

The Durbin-Watson statistic is used to determine whether or not there is a serial correlation among the residuals. If the Durbin-Watson statistic is close to 2, and the acceptable range is 1.50 - 2.50, the residuals are not correlated. As shown in the table, the Durbin-Watson statistic value is 1.986, which is close to 2, indicating that there is no autocorrelation problem in this model.

Table 4.5: Autocorrelation Test

Model Summary					
Model	R	R Square	Adjusted R Square	Std. An error of the Estimate	Durbin-Watson
1	.623[a]	.388	.369	.62569	1.772
a. Predictors: (Constant), ReligionDiv, EducationDiv, AgeDiversity, Genderdivers, EthnicityDiv, Workexperien					
b. Dependent Variable: Performance					

Source: Own computation using SPSS of the survey, 2020

4.7.1.2 Multicollinearity Test

If the model contains a correlation or r/s b/n explanatory variables, multicollinearity will occur. It is difficult to separate the effect of each independent variable from the dependent variable in the case of multicollinearity in the regression model (Brooks, 2008). In various kinds of literature, various tests were used to determine the presence of a high multicollinearity problem in a given model. In the literature, the correlation matrix and the variance inflation factor (VIF) were commonly used. According to Sekaran and Bougie (2016), the acceptable tolerance and variance inflation factor (VIF) values are greater than 0.10 and less than 10. According to table 4.6, each tolerance and VIF value of the independent variable is greater than 0.1 and less than 10. Therefore, the model in this thesis has no multicollinearity problem.

Table 4.6: Multicollinearity Test

Model		**Collinearity Statistics**	
		Tolerance	VIF
	(Constant)		
	Genderdiversity	0.587	1.705
	EthnicityDiversity	0.626	1.597
	Workexperience	0.556	1.799
	AgeDiversity	0.580	1.726
	EducationDiversity	0.611	1.636
	ReligionDiversity	0.904	1.106

Source: Own computation using SPSS of the survey, 2020

4.7.1.3 Normality Test

A normality test is used to determine whether the error term is zero men and constant variance in the model. Normality test is one of the additional assumptions of linear classical ordinary least Square method. Multiple regressions necessitate that the residuals be normally distributed. Skewness and kurtosis are statistical tools that can be used to determine whether or not data is normally distributed. Different test methods were conducted to test normality in the given regression model from these kurtosis and skewness distribution, normal probability plot, and Histogram plot test. In this study Histogram plot test is performed to check the test. The graph below indicated that the error term distribution in the model is normally distributed.

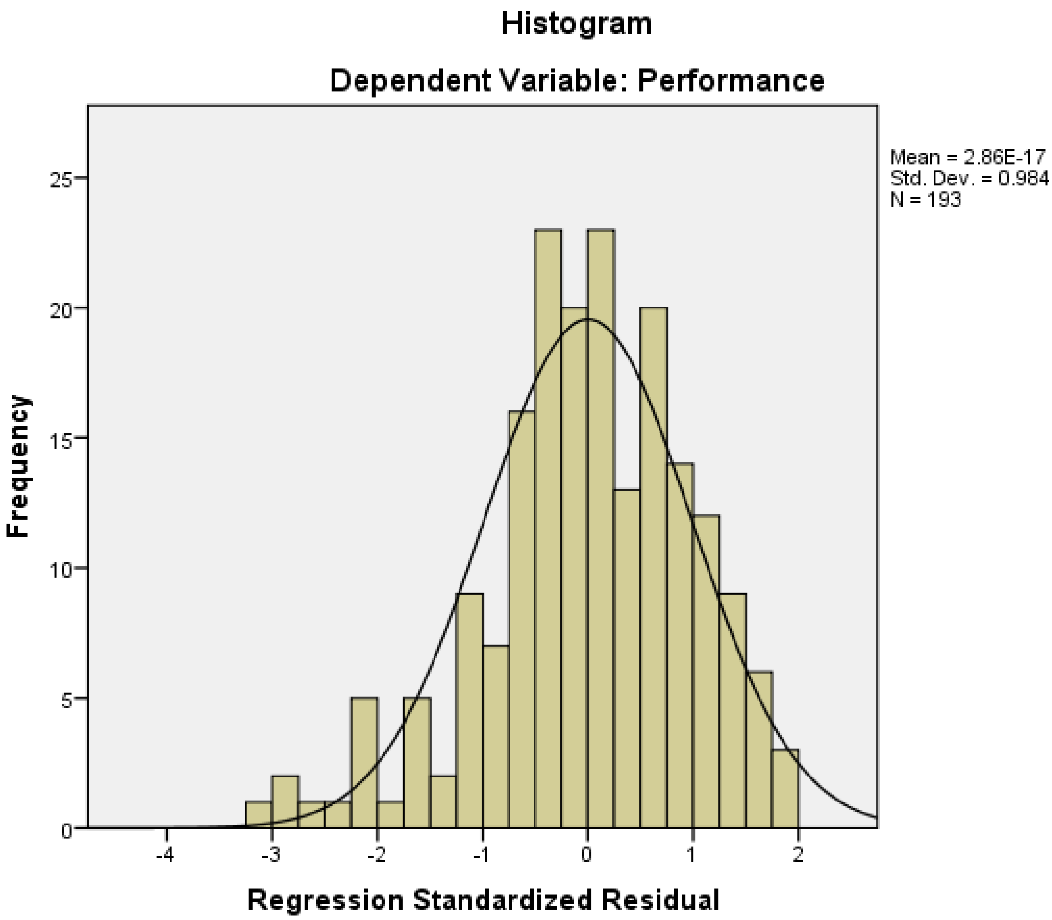


Figure 4.2: Normality Test

4.8 Regression and Mediation analysis

Table 4.7: Model one (Cultural intelligence as dependent variable)

Variables	Coefficient	Std. Err.	t-statistic	p-value
EthnicityDiv	.0458648	.0603081	0.76	0.447
ReligionDiv	.4035752	.0704052	5.73	0.000
_cons	1.971281	.2809242	7.02	0.000

Table 4.8: Model two (Innovation as dependent variable)

Variables	Coefficient	Std. Err.	t-statistic	p-value
Gender diverse	-.0645666	.0967889	-0.67	0.505
Workexperien	.2462942	.0724868	3.40	0.001***
AgeDiversity	-.2599698	.0844748	-3.08	0.002***
EducationDiv	.2808893	.0667659	4.21	0.000***
_cons	.2.767148	.2637307	10.49	0.000

Table 4:9: Model three (Organizational performance as dependent variable)

Variables	Coefficient	Std. Err.	t-statistic	p-value
Culturalintel	.1573825	.0751041	2.10	0.036**
Innovation	.5657818	.0723458	7.82	0.000***
EthnicityDiv	-.0097789	.0799786	-0.12	0.903
ReligionDiv	.3691222	.0659716	5.60	0.000***
Genderdivers	.2491052	.0785589	3.17	0.002***
Workexperien	.0394556	.0698428	0.56	0.572
AgeDiversity	.1677089	.0791654	2.12	0.034
EducationDiv	-0.205859	.05978	-3.44	0.001***
_cons	-.9259292	.2893991	-3.20	0.001
Iteration 0: log likelihood = -1487.5998				
Iteration 1: log likelihood = -1487.5998				
LR test of model vs. saturated: chi2(7) = 121.46, Prob> chi2 = 0.0000				

4.8.1 Regression output

As per regression output above in model two from the total of six independent variables four variables. religion diversity, gender diversity, age diversity, and education diversity was a significant effect on the organizational performance of the banking industry in Ethiopia. But the remaining two variables,i.e work experience diversity and ethnic diversity were insignificant effects on organizational performance in the Ethiopian banking industry.

Religion diversity

According to the results of the regression, the coefficient of religious diversity has a positive and statistically significant effect on organizational performance. This means that if religion diversity increases by one unit, organizational performance increases by 0.369, assuming all other variables remain constant. The positive effect of religious diversity is because Companies are beginning to recognize the benefit of incorporating religious diversity in their workplace the move toward faith at work is seen as a "win-win" as improving employee's happiness will improve organizational outcomes like productivity Rios (2017).

Gender diversity

According to the model's regression output, the coefficient of gender diversity is positive and statistically significant at the 1% level of significance. If all other variables remain constant, a one-unit increase in gender diversity leads to a 0.249-unit increase in organizational performance. According to the model's regression output, the coefficient of gender diversity is positive and statistically significant at the 1% level of significance. If all other variables remain constant, a one-unit increase in gender diversity leads to a 0.249-unit increase in organizational performance. The positive relationship between gender diversity and organizational performance because gender diversity provided in the organization

Age diversity

In the regression output, the coefficient of age diversity is a positive and statistically significant effect on organizational performance in the Ethiopian banking industry at a 5 % level of significance. This implies that when age diversity increased by one unit then the level of organizational performance in the Ethiopian banking industry increased by 0.1677 units being other explanatory variables constant. The positive relationship between age diversity and organizational performance in Ethiopia's banking industry because is explained that the workforce is unique in its generational diversity, which presents new challenges to organizations attempting to attract, retain, manage, and motivate quality employees.

Education diversity

As per the regression output of the model, the coefficient of education diversity is negative and statistically significant at a 1 percent level of significance. This implies that a one-unit increase in education diversity leads to a 0.2058 unit decrease in organizational performance being other variables are constant. The negative relationship between gender diversity and organizational performance was not as expected. The negative relationship between education diversity and organizational performance is because education diversity the more education the individual worker received, the more productive the worker will be.

Mediation is a hypothesized causal chain in which one variable affects a second variable that, in turn, affects a third variable. The intervening variable, M, is the mediator. It “mediates” the relationship between a predictor, X, and an outcome.

Once the model was tested for its fitness with observed data, the contribution of the mediating variable (cultural intelligence and innovation) was examined to explain the relationship between workforce diversity and organizational performance. Estimation of the influence of workforce diversity on organizational performance through the mediation effect of cultural intelligence and innovation was performed by using Stata and SPSS-Amos statistical package. In the mediation model, workforce diversity was the independent variable (x), organizational performance was the dependent variable (y) and, cultural intelligence and innovation was the mediating variable (M). To test whether the mediation effect of workforce diversity on organizational performance in the banking industry of Ethiopia could be explained by the cultural intelligence and innovation as an intervening variable, some important criteria should be met. To ensure this requirement, the total effect (c) was estimated in the model. First, workforce diversity (x) should influence organizational performance second, workforce diversity (x) should influence cultural intelligence and innovation or the mediating variable (M). Third, the cultural intelligence and innovation which represented the mediating variable (M) should influence organizational performance (y).

Generally, to test the impact of mediator variable through three regression model. These regression models are a regression model between dependent independent variables, a regression model between mediator variables independent variables, and a regression model between a dependent variable and both independent variable and mediator variable. If the mediator variable

Significantly affect the dependent variable there is mediation effect in the model.

Model one

As per model one presents the relation between the mediator variable of cultural intelligence and independent variables i.e religion diversity and ethnic diversity. The regression output implies that religious diversity has a positive and significant effect on cultural intelligence at a 1 percent level of significance. The coefficient of religion diversity indicated that when religion diversity increased by one unit the cultural intelligence increase by 0.4035. But, ethnic diversity is an insignificant effect on cultural intelligence.

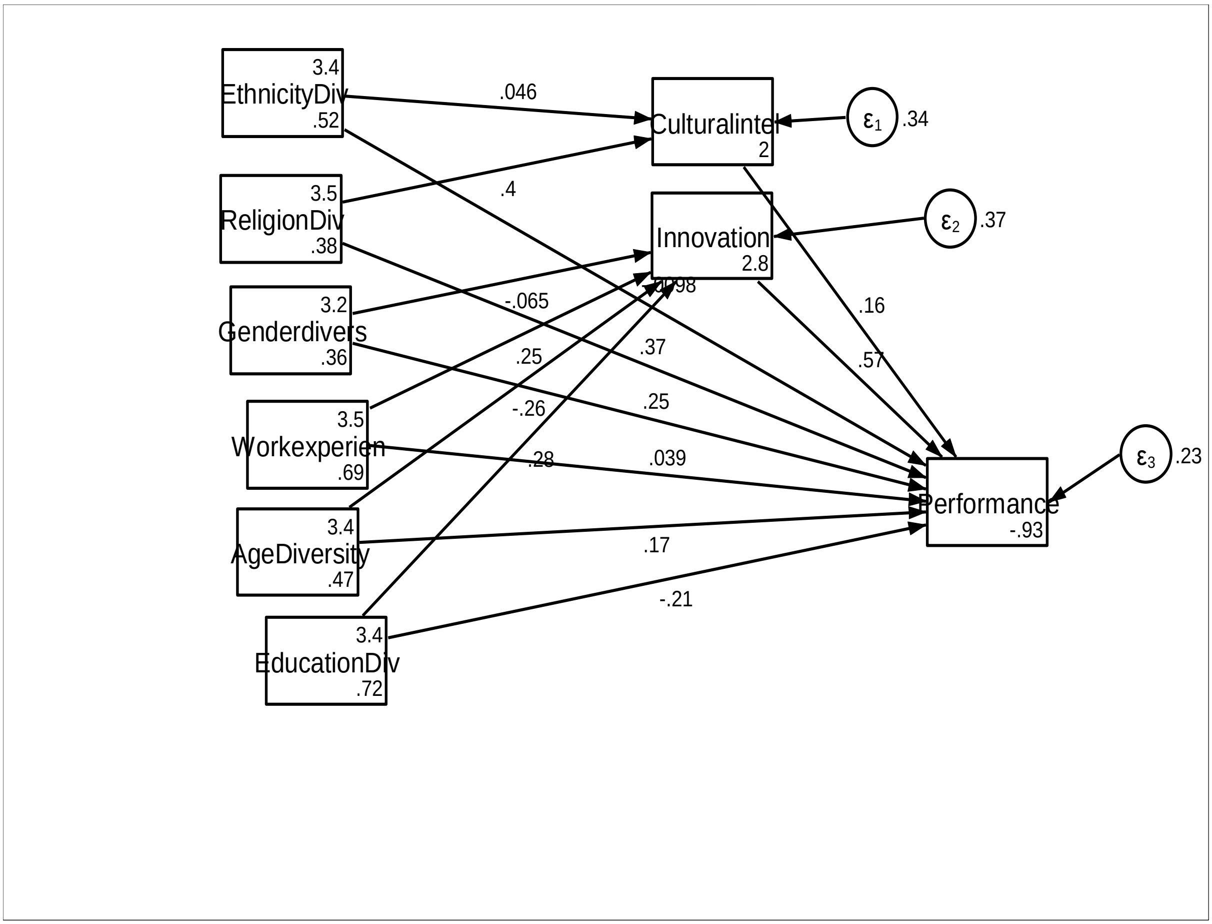
Model two

Model two presents the relationship between the mediator variable of innovation and independent variables i.e age diversity, education diversity, gender diversity, and work experience diversity. The regression output implies that out of four variables work experience and education diversity positive and statistically significant effect on innovation in the Ethiopian banking industry while age diversity has a negative and significant effect on innovation. But gender diversity has a statistically insignificant effect on innovation.

Model three

Model three presents the regression output of the dependent variable with independent and mediator variables. In this mode, the effect of mediator variables i.e cultural intelligence and innovation on organizational performance of the Ethiopian banking industry is positive and statistically significant effect at 5 % and 1 % level of significance. The coefficient of the mediator variables implies that a one-unit increase in cultural intelligence and innovation leads to 0.1573 and 0.5657 unit increase in organizational performance of the Ethiopian banking industry respectively. Concerning the mediating role of cultural intelligence and innovation in the relationship between workforce diversity and organizational performance in Ethiopia banking industry; cultural intelligence and innovation there is a mediating role in the relationship between dependent and independent variables since there is a significant effect of mediator variable on the dependent variable and independent variable on the mediatory variable. In this study the mediator variable mediates in the relationship between organizational performance and workforce diversity is partial since there is a significant relationship between dependent and independent variables. Generally, the above three models present diagrammatically in the following way.

Figure 4.3: analysis result



Additional analysis result using Amos software

Analysis result without a mediator

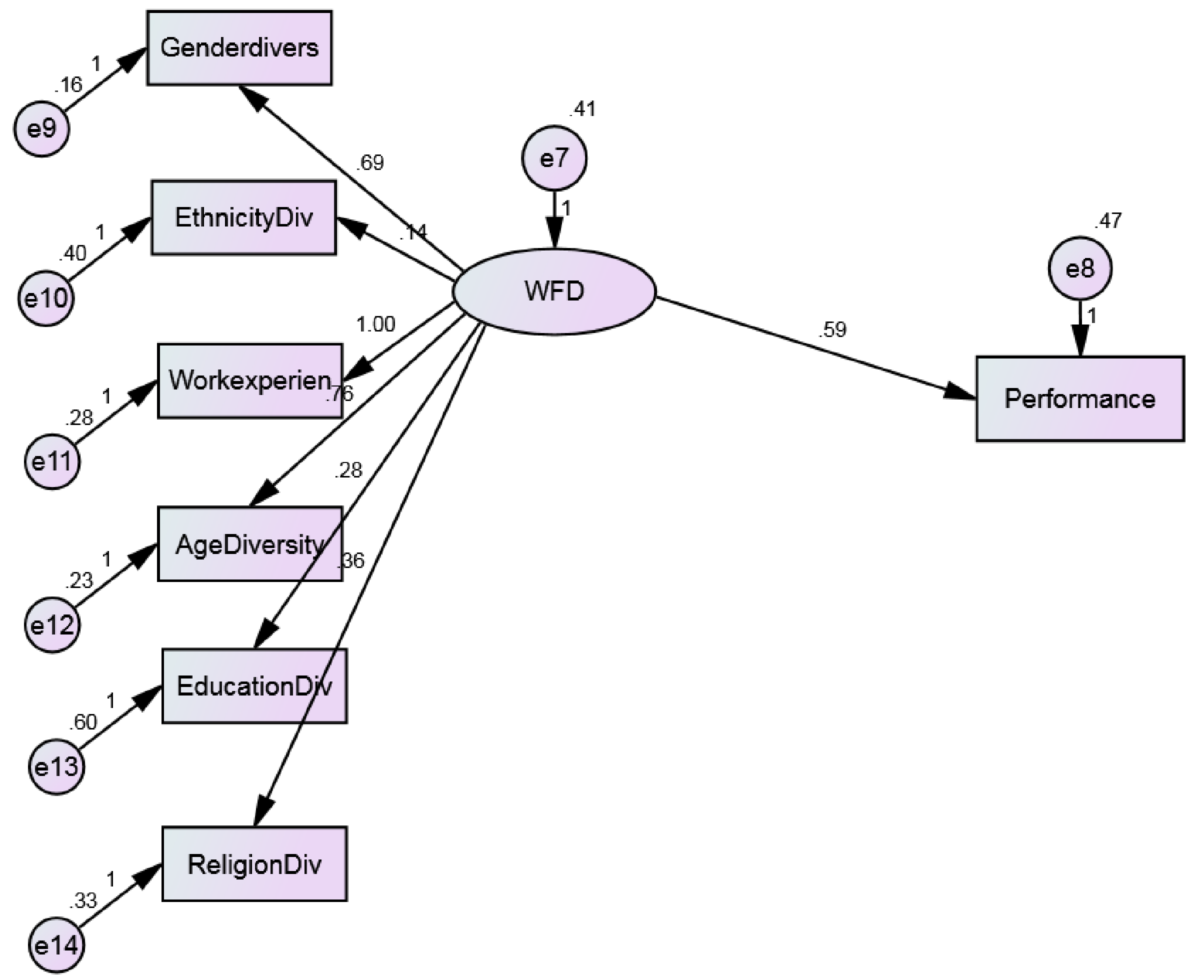


FIG 4.4 Direct effect of WFD on performance

Source Amos output

4.11 Regression weight

			Estimate	S.E.	C.R.	P	Label
Genderdivers	<---	WFD	.689	.078	8.872	***	Significant
EthnicityDiv	<---	WFD	.139	.080	1.746	.081	Not significant
Workexperien	<---	WFD	1.000				Significant
Age Diversity	<---	WFD	.763	.088	8.684	***	Significant
EducationDiv	<---	WFD	.279	.099	2.810	.005	Significant
ReligionDiv	<---	WFD	.356	.077	4.602	***	Significant
Performance	<---	WFD	.594	.098	6.049	***	V

Analysis result with the mediator

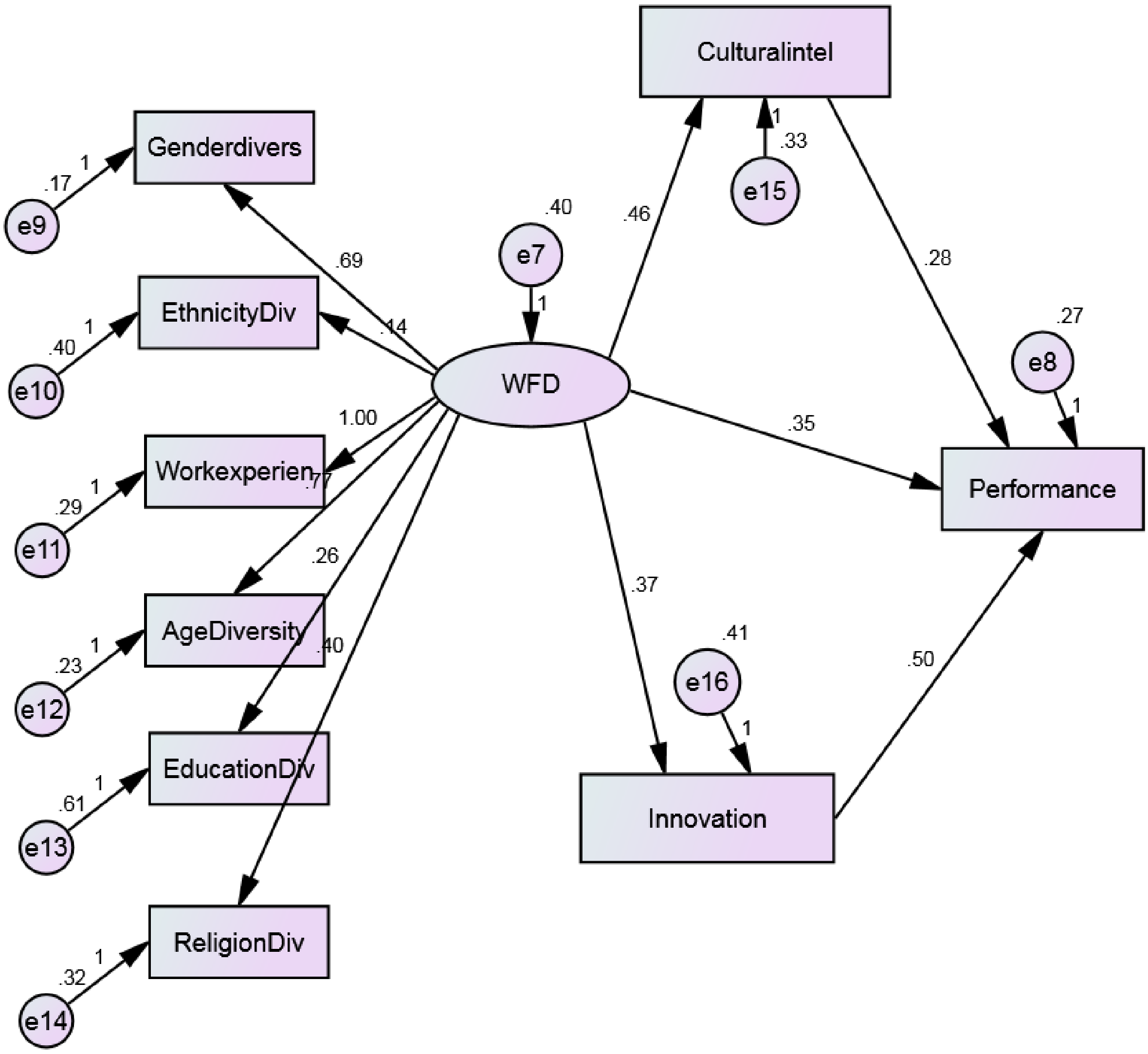


Fig 4.5 Analysis result with the mediator

Source Amos output

4.12 Regression weight with the mediator

			Estimate	S.E.	C.R.	P	Label
Culturalintel	<---	WFD	.460	.082	5.583	***	Significant
Innovation	<---	WFD	.367	.087	4.226	***	Significant
Genderdivers	<---	WFD	.686	.079	8.711	***	Significant
EthnicityDiv	<---	WFD	.137	.081	1.688	.091	Not significant
Workexperien	<---	WFD	1.000				Significant
Age Diversity	<---	WFD	.773	.090	8.605	***	Significant
EducationDiv	<---	WFD	.264	.101	2.604	.009	Not significant
ReligionDiv	<---	WFD	.399	.079	5.049	***	Significant
Performance	<---	WFD	.349	.088	3.951	***	Significant
Performance	<---	Innovation	.504	.062	8.192	***	Significant

Performance	<---	Culturalintel	.275	.070	3.941	***	Significant

As can be seen in the above table, workforce diversity has shown a positive and significant impact on organizational performance. This result is also supported by other researchers. The study by Gacheri and Muthoni (2013) which investigated the impact of workforce diversity management on performance was found to a positive and significant association in both managers and non-managerial employees of the Bank. In addition to this, The study by Mwikali (2016) which saw the individual effect of educational diversity, ethnic diversity, gender diversity, and age diversity on performance has also found a positive association. The other researcher, Ogomegbunam and Egbule (2016), found a significant positive relationship between the variables of workforce diversity and organizational effectiveness; in particular cultural diversity was found to be more effective. Rizwan et al. (2016) looked into the effect of workforce diversification on employee productivity but it only considered few selected variables as independent variables of performance in an organization.

Indirect and direct effects

4.13 Indirect effect

	WFD	Innovation	Culturalintel
Innovation	.000	.000	.000
Culturalintel	.000	.000	.000
Performance	.312	.000	.000
ReligionDiv	.000	.000	.000
EducationDiv	.000	.000	.000
AgeDiversity	.000	.000	.000
Workexperien	.000	.000	.000
EthnicityDiv	.000	.000	.000
Genderdivers	.000	.000	.000

4.14 Direct effect

	WFD	Innovation	Culturalintel
Innovation	.367	.000	.000
Culturalintel	.460	.000	.000
Performance	.349	.504	.275
ReligionDiv	.399	.000	.000
EducationDiv	.264	.000	.000
AgeDiversity	.773	.000	.000
Workexperien	1.000	.000	.000
EthnicityDiv	.137	.000	.000
Genderdivers	.686	.000	.000

Independent indirect effects of the mediators

According to Baron and Kenny's (1986) Three Step Mediating Analysis, a variable can be considered a mediator. The extent to which it carries the effect of a given independent variable to a given dependent variable. Mediation is said to take place when. The independent variable significantly affects the mediator, the independent variable significantly affects the dependent variable in the absence of the mediator, and the independent variable on the dependent variable shrinks upon the addition of the mediator to the model. (Zhao et al, 2010). Complementary mediation occurs if both indirect and direct are significant and have the same directions. Competitive mediation occurs if indirect and direct are both significant and have opposite directions. Indirect only mediation occurs if indirect is significant, but not direct only non-mediation occurs if direct is significant, but not indirect.No mediation occurs if both direct and indirect is insignificant. Complementary mediation is known as partial mediation in Baron and Kenny’s approach. While indirect only mediation is the same as full mediation. However, competitive mediation, direct-only non-mediation, and no non-mediation fall under a mediation category in Baron and Kenny’sapproach which may cause projects to be discarded (Zhao et al, 2010).

Based on the three-step segmentation approach of Baron and Kenny, both Cultural Intelligence and Innovation had a complimentary (partial) mediation role in the relationship between workforce diversity and organizational performance.

INDIRECTEFF1(culture)	.126
INDIRECTEFF2 (innovation)	.185

The indirect effect of elements of workforce diversity on performance

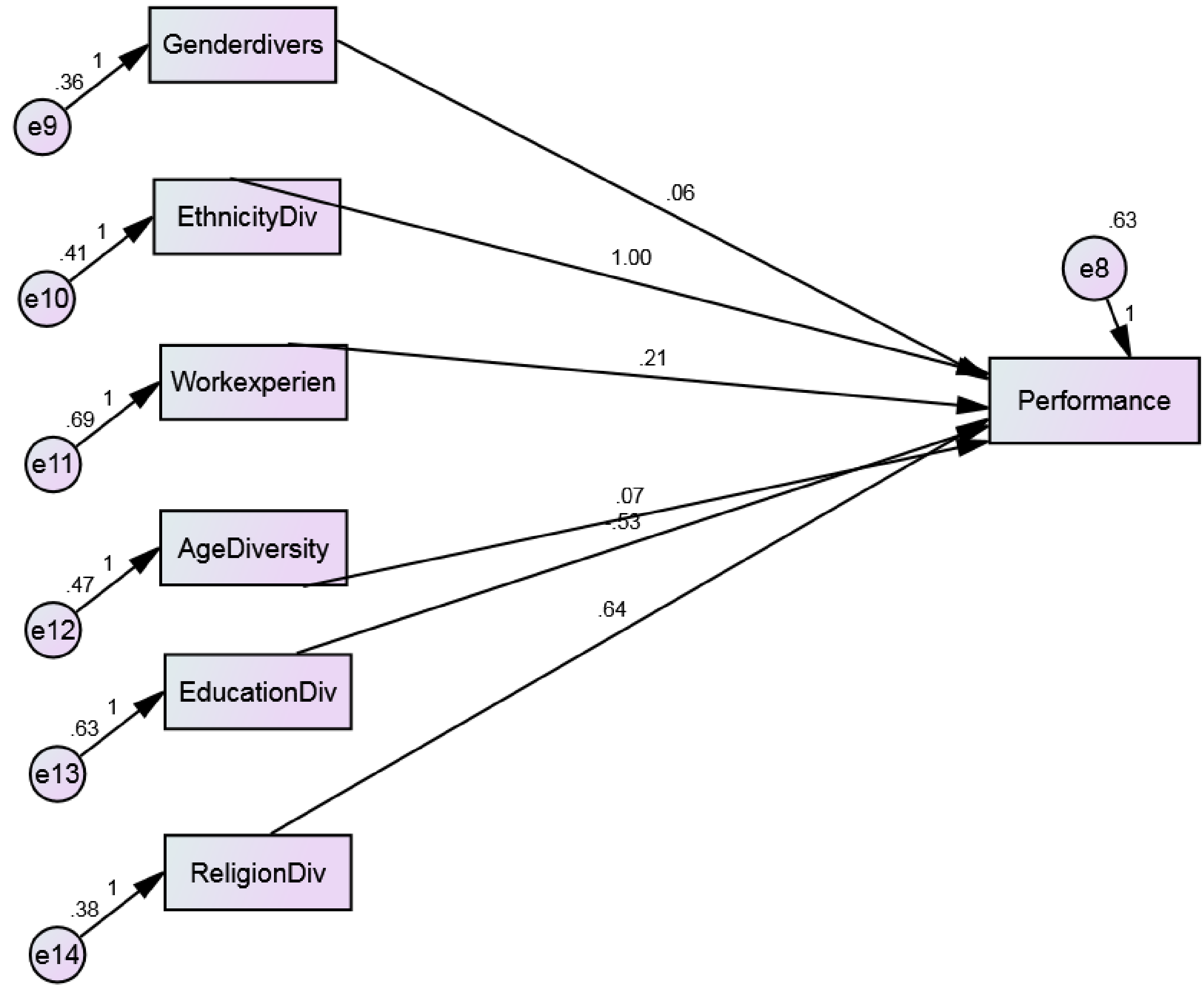


Fig 4.6 Direct effect of elements of workforce diversity on performance

			Estimate	S.E.	C.R.	P	Label
Performance	<---	Genderdivers	.062	.096	.642	.521	insignificant
Performance	<---	EthnicityDiv	1.000				
Performance	<---	Workexperien	.206	.069	2.975	.003	significant
Performance	<---	AgeDiversity	.072	.084	.854	.393	insignificant
Performance	<---	EducationDiv	-.532	.072	-7.360	***	significant
Performance	<---	ReligionDiv	.638	.093	6.867	***	significant

Table 10: Summary of Hypothesis

	Description	Result
H1	Cultural intelligence significantly mediates the relationship between workforce diversity and organizational performance	Accepted

H2	Innovation significantly mediates the relationship between workforce diversity and organizational performance	Accepted
H3	Education diversity has a positive effect on organizational performance in the Ethiopian banking industry.	Rejected
H4	Ethnic diversity has a positive effect on organizational performance in the Ethiopian banking industry.	Rejected
H5	Age diversity has a positive effect on organizational performance in the Ethiopian banking industry.	Accepted
H6	Religion diversity has a positive effect on organizational performance in the Ethiopian banking industry.	Accepted
H7	Work experience diversity has a positive effect on organizational performance in the Ethiopian baking industry.	Rejected
H8	Gender diversity has a positive effect on organizational performance in the Ethiopian baking industry.	Accepted

CHAPTER FIVE

SUMMARY, CONCLUSION, AND RECOMMENDATION

5.1 Introduction

This chapter presents the summary of findings, conclusion, and recommendation following the findings from the study. The study attempted to identify the effect of workforce diversity on organizational performance in the banking industry of Ethiopia: It also tried to provide new empirical evidence on the mediating role of cultural intelligence and innovation relationship between workforce diversity and organizational performance in the Ethiopian banking industry.

5.2 Summary

The objective of the study analyses the effect of workforce diversity on organizational performance in the banking industry of Ethiopia: the mediating role of cultural intelligence and innovation. Based on the literature review discussed in chapter two, six independent variables of workforce diversity i.e education diversity, age diversity, religious diversity, work experience diversity, and cultural diversity, and also two mediating variables i.e cultural intelligence and innovation were identified.

Out of 195 (98.48%), questionnaires were collected through a self-administered survey and 193 (97.47%) questionnaires were properly filled and ready for analysis. The collected data were analyzed using a statistical package for social science software (SPSS) and Stata. Regression analyses and mediation analysis was employed for testing the hypotheses. Regression analysis, reliability, correlation analysis, and other post estimation testes like multicollinearity, normality, and homoscedasticity tests were performed.

The reliability test was administered to check whether the questionnaire is reliable or not. In this regard per Table 4.2 illustrates all the quaternary were reliable and acceptable with an overall Cronbach's Alpha result of 0.929.

In terms of respondent demographics, Table 4.1 shows that the majority of the 113 employees (58.5 %) were male. In terms of age, 99 percent of them were between the ages of 31 and 40. (51.3 %). Regarding educational level, it was once again demonstrated that the majority of the employees held a BA degree. Moreover, Regarding the work experience of the Respondents majority of respondents were those who have served for 3 -5 years.

The effect of workforce diversity on organizational performance in the Ethiopian banking industry was tested using multiple regression analysis. The result of the analysis revealed that out of six independent variables for variables were significant effects on organizational performance in the Ethiopian banking industry. These variables are gender diversity, age diversity, education diversity, and religious diversity. But two variables were an insignificant effect on organizational performance i.e ethnic diversity and work experience diversity.

The mediation analysis also confirmed the cultural intelligence and innovation partially mediates the relationship between organizational performance and workforce diversity in the Ethiopian banking industry.

5.3 Conclusions

The objective of the study analyses the effect of workforce diversity on organizational performance in the banking industry of Ethiopia: the mediating role of cultural intelligence and innovation. Based on the results the study made the following conclusions:

- The results of the study established that the effect of religious diversity on the organizational performance of the Ethiopian banking industry is positive and significant. This implies that when employees are provided with good religious diversity, organizational performance will increases.
- The results of the study confirmed that the effect of gender diversity on organizational performance is positive and significant. This implies that when employees are provided with good gender diversity, the level of organizational performance in the Ethiopian banking industry also increases.
- The results of the study indicated that the effect of age diversity on the organizational performance of the Ethiopian banking industry is positive and significant. This implies that when employees with good age diversity the level of organizational performance in the study sample also increase.
- The result of the study proved that cultural intelligence partially mediates the effect of workforce diversity on organizational performance. This implies that workforce diversity affects organizational performance in two ways; directly by workforce performance and indirectly through cultural intelligence.
- The result of the study proved that innovation partially mediates the effect of workforce diversity on organizational performance. This implies that workforce diversity affects

organizational performance in two ways; directly by workforce performance and indirectly through innovation.

5.4 Recommendation

The following recommendations are made based on the conclusion reached based on the major findings of the research. They are as follows:

- The bank should maintain its current workforce diversity. However, it should periodically revise workforce diversity depending on feedbacks collected.
- The effects of the workforce diversity variable of gender diversity under study have a significant relationship between them. Thus Ethiopian commercial banks should understand how to manage the diverse workforce in gender diversity where it can increase the advantage of such diversity and eliminate or reduce the disadvantage if any.
- Since there is a significant positive relationship between the variable of religious diversity and organizational performance, religious diversity is important to help Ethiopian commercial bank performance and minimize the disadvantages of workforce diversity that can harm employee and organizational performance.
- Cultural intelligence and innovation have a mediator role in the relationship between organizational performance and workforce diversity in the Ethiopian banking industry. Therefore, the bank human resource organ should maintain and improve the level of cultural intelligence and innovation through workforce diversity.

5.5 Suggestion for future research

This study was limited to the banking industry in Ethiopia at the head office level; therefore, additional studies focusing on other sectors, such as the manufacturing industry, should be conducted. The study also suggests that more research be done on the relationship between workforce diversity and organizational performance in other sectors by including more workforce diversity dimension variables because workforce diversity has different dimensions.

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Appendixes

Appendix 1: structured questionnaires

Addis Ababa University

College of Business and Economics

Master of Business Administration

Structured questionnaire

Dear Respondent,

My name is Yordanos Mesfin. I am attending MBA at Addis Ababa University. I am researching the title ‘‘Effect of Workforce Diversity on organizational performance in Banking Industry of Ethiopia: The mediating role of cultural intelligence and innovation’’ as partial fulfillment of the requirements for the Masters of Business Administration, Addis Ababa University, College of Business and Economics.

This questionnaire is designed to collect data on the Effect of Workforce Diversity on organizational performance in the Banking Industry of Ethiopia: The mediating role of cultural intelligence and innovation. The data to be collected through the questionnaire is highly valuable to meet the objectives of this study. Therefore, you are kindly requested to fill in and return the questionnaire. The information you supply would be used for academic purposes only and will be kept confidential.

Thank you in advance for your cooperation!

Directions

No need of writing your name;

Put ‘‘√ ’’ mark for your choice

PART I: Background Information

1. Sex of the respondent: Male ☐ Female ☐
2. Indicate your age category: below 30 ☐ 40 ☐ 1-50 ☐
   Above 50 ☐
3. What is your Education level
   Certificate ☐ Diploma ☐ 1st Degree ☐ 2nd Degree and above ☐
4. For how long have you been working in the organization?
   Less than 2 years ☐ 3-5 years ☐ 6-8years ☐ 8-10years ☐
   Over 10 years ☐

Part II: Practical implementation of how managing diversity in the organization

Please give them a rank based on a five-point Likert Scale. Select if

1 = **strongly disagree** 2 = **Disagree** 3 = **Neutral** 4 = **Agree** 5 = **strongly agree**

A. Gender diversity

No	Items	1	2	3	4	5
1	Is there any discrimination felt while recruitment process on a gender basis					
2	Equal opportunities are given to all employees for their promotions or development in an organization without any gender discrimination					
3	Training and Development programmers are initiated to meet the requirement of male and female					
4	Fair treatment is given to all employees, disregard of gender difference					
5	Your organization put efforts in attracting and hiring female staff					
6	Your organization gives decision making power to both men and women equally					

7	Gender diversity has a positive impact on organizational performance					

B. Ethnicity Diversity

No	Items	1	2	3	4	5
1	People from different surroundings leads to chaos in an organization					
2	Different languages used for communication do not create problem among employees					
3	Employees are not discriminated on regard to their ethnicity					
4	The organization gives due respect to all culture and values of employees					
5	All employees are given equal opportunity in the decision-making process, disregard of their ethnicity					
6	Ethnicity plays a positive role in an organizations performance					

C. Work experience diversity

No	Items	1	2	3	4	5
1	Your organization provides equal opportunities for training and career development based on work experience					
2	The work experience differences in the workplace do not create conflict					
3	At work, I experience bonding with people of different work experience					
4	Your organization attracts and hires					

	employees having with different working experience					

D. Age Diversity

No	Items	1	2	3	4	5
1	Your organization provides equal opportunities for training and career development to all age group					
2	Supervisors at different sections include all members at different ages in problem-solving and decision-making.					
3	The age differences in the workplace do not create conflict					
4	At work, I experience bonding with people of different age group					
5	Your organization encourages employees to work with employees of different age					
6	Your organization attracts and hires employees having with different working experience					

E. Education Diversity

No	Items	1	2	3	4	5
1	The recruitment plan of your organization is based on the educational background of the employees					
2	your organization is provides paid study leave to employees who further upgrade their education					

3	Opportunities for growth and advancement exist for employees who have better educational qualifications					
4	Differences in educational background do not bring conflict among employees					
5	your organization encourages employees to upgrade their educational qualification					

F. Religion Diversity

No	Items	1	2	3	4	5
1	My religious beliefs make me a better employee					
2	The organization gives due respect to all religion of employees					
3	All employees are given equal opportunity in the decision-making process, disregard of their religion					
4	Employees are not discriminated on regard to their religion					
5	Equal opportunities are given to all employees for their promotions or development in an organization without any religious discrimination					

G. Cultural intelligence

No	Items	1	2	3	4	5
1	I understand cross-cultural experiences and I interact with people from different cultures.					

2	I check the accuracy of my cultural knowledge as I interact with people from different cultures					
3	I know the legal and economic systems of other cultures					
4	I do not know the rules for expressing nonverbal behaviors in other cultures					
5	I enjoy interacting with people from different cultures					
6	I do not enjoy living in cultures that are unfamiliar to me					
7	I can adapt verbal and non-verbal behaviors which are suitable to encounter different cultures.					
8	I use to pause and silence differently to suit different cross-cultural situations					

H. Innovation

No	Items	1	2	3	4	5
1	We develop products or services that better meet the needs of consumers than any other product or service currently Available					
2	We often add new product or services to our existing ranges					
3	We have launched products or services for which this organization lacks the technological knowledge					
4	We often reposition existing products or services					
5	We often change the way we make or deliver products or services					
6	We develop products or services that will require consumers to substantially alter their behavior					
7	We often improve or revise existing products or services					

8	We have launched products or services for which this organization lacks the business experiences or knowledge					
9	We often introduce new ranges of products or services not previously offered by this company					
10	We develop product or services that offer greater advantages to consumers than any other product or service currently					

Part III: Measures of organizational Performance

Here are items that help to measure employee performance. Please give them a rank based on a five-point Likert Scale. Select No. 1 if you strongly disagree with the statement and 5 if you strongly agree with the statement.

No	Items	1	2	3	4	5
1	My performance gets better because of working with employees of different work experience					
2	Good employee performance is important for the future growth of my organization					
3	The quality of products and services delivered to customers has increased					
4	The level of efficiency among employees has increased					
5	The returns of our organization have increased					
6	The level of customer satisfaction has increased.					

Appendix 2: Regression output

```
Endogenous variables

Observed:  Culturalintel Performance Innovation

Exogenous variables

Observed:  EthnicityDiv ReligionDiv Genderdivers Workexperien AgeDiversity EducationDiv

Fitting target model:

Iteration 0:   log likelihood = -1487.5998
Iteration 1:   log likelihood = -1487.5998

Structural equation model                       Number of obs     =        193
Estimation method  = ml
Log likelihood     = -1487.5998

------------------------------------------------------------------------------------
                    |                 OIM
                    |      Coef.   Std. Err.      z    P>|z|     [95% Conf. Interval]
--------------------+---------------------------------------------------------------
Structural          |
  Culturalintel     |
       EthnicityDiv |   .0458648   .0603081     0.76   0.447    -.0723368    .1640665
        ReligionDiv |   .4035752   .0704052     5.73   0.000     .2655835    .5415669
              _cons |   1.971281   .2809242     7.02   0.000     1.420679    2.521882
  ------------------+---------------------------------------------------------------
  Performance       |
      Culturalintel |   .1573825   .0751041     2.10   0.036     .0101811    .3045839
         Innovation |   .5657818   .0723458     7.82   0.000     .4239866     .707577
       EthnicityDiv |  -.0097789   .0799786    -0.12   0.903    -.1665341    .1469764
        ReligionDiv |   .3691222   .0659716     5.60   0.000     .2398202    .4984242
       Genderdivers |   .2491052   .0785589     3.17   0.002     .0951325    .4030779
       Workexperien |   .0394556   .0698428     0.56   0.572    -.0974337    .1763449
       AgeDiversity |   .1677089   .0791654     2.12   0.034     .0125476    .3228703
       EducationDiv |   -.205859     .05978    -3.44   0.001    -.3230257   -.0886924
              _cons |  -.9259292   .2893991    -3.20   0.001    -1.493141   -.3587174
  ------------------+---------------------------------------------------------------
  Innovation        |
       Genderdivers |  -.0645666   .0967889    -0.67   0.505    -.2542693    .1251362
       Workexperien |   .2462942   .0724868     3.40   0.001     .1042227    .3883657
       AgeDiversity |  -.2599698   .0844748    -3.08   0.002    -.4255373   -.0944022
       EducationDiv |   .2808893   .0667659     4.21   0.000     .1500304    .4117481
              _cons |   2.767148   .2637307    10.49   0.000     2.250246    3.284051
--------------------+---------------------------------------------------------------
var(e.Culturalintel)|   .3441385   .0350324                      .2818923    .4201296
  var(e.Performance)|   .2348421   .0239063                      .1923649    .2866989
   var(e.Innovation)|    .367636   .0374244                      .3011397    .4488158
------------------------------------------------------------------------------------
LR test of model vs. saturated: chi2(7)   =    121.46, Prob > chi2 = 0.0000
```