

...
...

**THE EFFECT OF WORKFORCE DIVERSITY ON
EMPLOYEE PERFORMANCE**

(THE CASE OF ADDIS CREDIT and SAVING INSTITUTION S.C)

BY: SARON ESHETU

**A THESIS SUBMITTED TO ADDIS ABABA UNIVERSITY COLLEGE OF BUSINESS
AND ECONOMICS THE SCHOOL OF COMMERCE IN PARTIAL FULFILLMENT
OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF ARTS IN HUMAN
RESOURCE MANAGEMENT**



DEPARTMENT OF BUSINESS ADMINISTRATION AND INFORMATION SYSTEM

SCHOOL OF COMMERCE

ADDIS ABABA UNIVERSITY

JUNE 2017

ADDIS ABABA, ETHIOPIA

Addis Ababa University
College of Business and Economics
School of Commerce

APPROVALS

The undersigned certify that they have read and hereby recommend to Addis Ababa University to accept the Thesis submitted by **Saron Eshetu**, and entitled **“The Effect of Work Force Diversity on Employee performance (The Case of Addis Credit and Saving Institution S.C)”** in partial fulfillment of the requirements for the award of the Degree of Masters in Human Resource Management.

Approved by Board of Examiners

Name of Internal Examiner _____ Signature _____

Date _____

Name of External Examiner _____ Signature _____

Date _____

Name of Advisor _____ Signature _____

Date _____

Letter of Certification

This to certify that **Saron Eshetu** has carried out her thesis work on the topic entitled “**The Effect of Work Force Diversity on Employee performance (The Case of Addis Credit and Saving Institution S.C)**” under my guidance and supervision. Accordingly, I here assure that her work is appropriate and standard enough to be submitted for the award of Master of Arts in Human Resource Management.

Name of Advisor..... Signature.....

Date.....

DECLARATIONS

Here with I, **Saron Eshetu**, declare that this thesis is prepared for the partial fulfillment of the requirements for the Master of Arts in Human Resource Management ‘A Study on **Effects of Workforce Diversity on Employee Performance (The Case of Addis Credit and Saving Institution S.C)**’. This thesis is my original work and has not been presented for a degree in any university, and that all sources of material used for the thesis have been duly acknowledged. I have made it independently with the close advice and guidance of my advisor.

Name: Saron Eshetu

Contents

ACKNOWLEDGEMENT	VIII
List of Tables	IX
List of Figures	X
List of Abbreviation	XI
Abstract	XII
CHAPTER ONE	1
1. INTRODUCTION	1
1.1 Background of the Study.....	1
1.2 Statement of the Problem	3
1.3 Research Questions:	5
1.4 Objectives of the study	6
1.4.1 General Objective	6
1.4.2 The specific objectives of the study	6
1.5 Significance of the study	6
1.6 Limitation of the Study.....	7
1.7 Organization of the paper	7
CHAPTER TWO	8
2. Review of Related Literature	8
2.1 Different Views of Diversity	8
2.2 Managing Diversity	10
2.3 Workplace Diversity	10
2.4 Theoretical Consideration.....	11
2.5 Benefits of Managing Workforce Diversity	12
2.5.1 Six Diversity Perspectives that Benefit a Diverse Workforce:.....	12
2.6 Challenges of Workforce Diversity.....	14
2.7 Performance	16
2.7.1 Steps on the Improvement of Effectiveness of Performance Appraisal Practices in the Area of Diversity	16
2.8 Relationship between Performance and Workforce Diversity	17
2.9 Diversity and Demographic Variables	17

2.9.1 Employee Performance.....	17
2.9.2 Ethnicity and work performance	18
2.9.3 Gender and Work Performance.....	19
2.9.4 Education Background and Work Performance.....	21
2.10 Empirical Review of Literature.....	22
2.10.1 Effects of ethnicity on employee performance	22
2.10.2 Effects of Gender on employee performance	24
2.10.3 Effects of Educational Background on Employee Performance	27
2.11 Conceptual Frame work and Hypotheses	28
2.11.1 Conceptual Frame	28
2.11.2 Hypothesis.....	28
CHAPTER THREE	30
3. RESEARCH METHODOLOGY	30
3.1 Introduction.....	30
3.2 Research Design.....	30
3.3 Target Population.....	30
3.4 Sample Size Determination.....	31
3.5 Sampling Technique	32
3.6 Procedure for Data Gathering.....	33
3.7 Reliability Test.....	33
3.7.1 Biographical Data Sheet (Section A)	33
3.7.2 Work Force Diversity Survey	34
3.7.3 Origins of Construct	34
3.7.4 Pilot Test	34
3.8 Validity Test.....	35
3.9 Data Processing.....	35
3.10 Methods of Data Analysis	36
3.10.1. Descriptive Analysis	36
3.10.2. Inferential Analysis.....	36
3.11 Ethical Considerations.....	39
CHAPTER FOUR.....	40
4.RESULTS AND DISCUSSION	40
4.1. Response Rate.....	40

4.2 Descriptive Analysis	41
4.2.1 Demographic Characteristics of Respondents	41
4.2.2 Measurement of Central Tendencies (MCT) for Constructs	46
4.3 Inferential Analysis.....	55
4.3.1 Correlation Analysis	55
4.3.2 Analysis of Variance (ANOVA).....	56
4.3.3 Multiple Linear Regression Analysis.....	57
4.4 Hypothesis testing and discussion of results	59
CHAPTER FIVE.....	60
5. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS	63
5.1 Introduction	63
5.2 summary of descriptive analysis	63
5.3 Recommendations for Future study	66
5.4. Conclusion.....	66
References.....	67
APPENDICES	76

ACKNOWLEDGEMENT

In the name of God, the Most Gracious, the Most Merciful

All thanks and praise is due to the almighty God the most Beneficent, the most Merciful for giving me the health, strength and determination to complete this thesis. It is He that I give thanks to, above all.

I would like to extend my gratitude and sincere appreciation to the following people that has supported, assisted and facilitated the completions of this research:

To my advisor, Dr WoldeEmmanuel Walombo for the assistance with the completion of my thesis. Your astute insight and guidance throughout the writing and completion of this thesis was inspiring, invaluable and encouraging.

To my beloved Mother W/ro Genet Mengesha for allowing me to grow in my own shoes and your continuous love and guidance.

To my beautiful, inspirational and supportive husband and children, Ato Mehateme, Dawit, Hana and for my youngest child Robel I love you all and you are the center of my heart. Your patience and understanding throughout my studies has not gone unnoticed. Your positivity and words of encouragement inspired and kept me going.

I am also grateful to Addis Credit and Saving Institution for allowing me to conduct this study. My special appreciation goes to member of the institution Ato Abey Kasahun at head office and W/ro. Mesert Assefa Kirkose district assisted me in data collection and sampling procedure.

List of Tables

Table 3.1. Population frame work.....	31
Table3. 2. Sampling frame.....	32
Table 3.3 The origins of construct in the research.....	34
Table3.4. Reliability Test.....	35
Table 4.1. Respondents response rate	41
Table 4.2 Gender diversity.....	41
Table 4.3. Age diversity.....	42
Table 4.4. Working experience	42
Table 4.5. Educational level.....	43
Table 4.6. Branches of institution.....	44
Table 4.7. Cross tabulation between diversity predictors.....	45
Table 4.8. The effects of gender diversity on employee performance.....	46
Table 4.9. The effects ethnic diversity on employee performance.....	49
Table 4.10. The effects of education diversity on employee performance.....	51
Table 4.11. Central tendencies measurement of construct for employee performance.....	53
Table 4.12. Correlations of diversity predictors with employee performance.....	56
Table 4.13. Analysis of Variance.....	57
Table 4.14. Model summery.....	58
Table 4.15. Regression coefficients	59
Table 4.16 Summary of the Result of research Hypotheses.....	60

List of Figures

Figure 2.1 How race influences the self-perceived communication model.....	23
Figure 2.2 Model of effects of gender towards business performance	25
Figure 2.3. Model of gender discrimination and employee productivity.....	27
Figure 2.4. Conceptual frame work	29
Figure 4.1. Ethnicity of the respondents	43

List of Abbreviation

AA:	Affirmative Action
AAU :	Addis Ababa University
ADCSI:	Addis Credit and Saving Institution
Av. M:	Average Mean
CIMB:	Commerce International Merchant Bankers Berhad
DM:	Diversity Management
EE:	Equal Employment
EEO:	Equal Employment Opportunity
HR:	Human Resource
HRM:	Human Resource Management
M:	Mean
NCT:	Nurse Care Team
P:	Level of Significance
SD:	Standard Deviation
SNNP:	Southern Nations, Nationalities and People
SPSS:	Software Package for Social Science
t:	t-test value
WFD:	Workforce Diversity

Abstract

Workforce diversity is a multi-faceted phenomenon that will continue to evolve as the world becomes a global marketplace. No doubt many believe workforce diversity is fundamental for employee performance. This study sought to find out the effect of workforce diversity on employee work performance, using the Addis Credit and Saving institution S.C. In the context of this study the term workforce diversity was defined as the similarities and differences among employees in terms of ethnic background, gender and education. These similarities and differences formed the independent variables of this study. Literature review was done and an attempt was made to link the various published studies with this study with a view to discovering how each variable effect on employee work performance at the ADCSI. The most unfortunate is that there are no WFD related studies done in Ethiopian context to the knowledge of the researcher. So the purpose of this study was twofold. The primary goal was to fill the research gap on the area in Ethiopian context by examining work force diversity practices of case study affiliate company and its effect on employee performance.

To achieve the objective of the thesis, the research method used was explanatory survey design study. Through the use of primary and secondary data sources, the researcher has gathered the necessary information regarding WFD practices of the case study company ADCSI and its effect on employee's performance besides intensive literature review to identify gapes and different scholars point of view on WFD and demographic diversity model. A survey was administrated to a sample of current employees of the financial institution. The data collected from primary sources were analyzed quantitatively (using descriptive inferential method of analysis).

The summarized responses were used to examine the effect of each variable on employee work performance. Correlation Coefficient analysis showed a significant level of association between performance and the tested variables of diversity. It became evident that workforce diversity has significant correlation between gender and employee performance The finding of this study showed gender, ethnic and employee performance is positively linked and education diversity has no significant effect on work performance of the employee. This study could be a guideline for future studies. It is therefore important for the institution to realize the need to capitalize on these demographic categories in order to stay ahead of other company or organization.

Key Words: *Diversity, Diversity Management, Gender Diversity, Ethnicity Diversity, Education Diversity, Workforce Diversity*

CHAPTER ONE

1. INTRODUCTION

1.1 Background of the Study

Advances in technology and the advent of a global economy bring the people of the world closer together than ever before. Given this fact, businesses, educational systems and other entities are investigating ways to better serve their constituents. Child (2005).

To achieve success and maintain a competitive advantage, company must be able to draw on the most important resource such as the skills of the workforce. With the increasing richness of diversity in the workforce. Srivastava (2012).

Company's need to expand their outlook and use creative strategies to be successful by using Employees knowledge and skill as a primary resource. Workforce diversity refers to organizations that are becoming more heterogeneous with the mix of people in terms of gender, age, race, and education background. Robbins (2009). A diverse workforce for instance, includes gender, age, ethnicity, and education background. According to Robbins (2009), workforce diversity has important implications toward management practices and policies. Frequently, diversity is viewed in a limited fashion, primarily addressing issues of race or gender differences, and linked to the laws providing protected status to certain groups. **Scholars** have used a very broad definition of diversity, to encompass most characteristics that individuals possess that affect the way they think and do things. Algahtani, (2013)

Today's managers are responsible for both leading employees and responding to the needs of customers who are more ethnically and culturally diverse, older, and in greater need of child and elder care. Leaders in both the public and the private sectors are focusing more attention on the issue of diversity. Whether the goal is to be an employer of choice, to provide excellent customer service, or to maintain a competitive edge, diversity is increasingly recognized and utilized as an important organizational resource. Sungjoo, (2010).

Leaders and managers within organizations are primarily responsible for the success of diversity policies because they must ensure that the policies are effective. Instead of treating every employee alike to recognizing and responding to those differences, it is a way to ensure employee retention and greater productivity. Roberson et, al. (2007), the most important issues of workforce diversity are to address the problems of discrimination in terms of gender, age, ethnicity and education background. When diversity is not managed properly, there will be a potential for higher turnover, difficult in communication and interpersonal conflicts. Overall, it will be confrontational to organization's performance, profitability and reputation.

This research proposes to adopt the narrow definition of diversity so as to use the demographic categorization to investigate the effect of workforce diversity on employee performance at ADCSI. Three dimensions of workforce diversity namely ethnicity, gender and education shall therefore form the independent variables. The dependent variable shall be the work performance.

It distinguishes the factors that can affect the employee's performance mainly focuses the financial institution. This research would also act as a guideline for the potential new entrants who wish to enter the industry on issues that need to be considered before starting business. From the researcher's analysis, microfinance institution is a small businesses financial aid company which operates within the boundaries of Addis Ababa city Administration. It was established and registered at the National bank of Ethiopia and owned by six shareholders, namely, Addis Ababa city Administration, A.A. City Women, youth & Teachers associations' Karalo Akababi peasant's cooperative & one physical person. As a company, Addis Credit and saving institution (ADCSI) draws its workforce from diverse backgrounds. Therefore, it faces pertinent issues such as demographic changes, increasing number of women joining its workforce, company restructuring, and the implementation of the equal opportunity legislation, which requires the institution review their management practices and develop new and creative approaches to people management. All these issues play out on the employee and can affect his or her work performance.

This research sought to investigate the effect of workforce diversity on employee work performance in the ADCSI, (demographic categorization). The ADCSI has a total workforce of over 1,000 employees. The study focused on the employees in head office and Kirkos district of ADCSI whose number 93.

Lastly, recommendations were provided concerning the effect of workforce diversity towards employee's performance in Addis Credit and saving institution.

1.2 Statement of the Problem

Workforce diversity trends were first identified in the mid-1980s and they were proclaimed as an opportunity for organizations to become more creative, to reach previously untapped markets and talents, and in general to achieve and maintain a competitive advantage Roberson (2007).

Erasmus (2007) contended that, diversity management and workforce diversity are a forced integration that creates conflict and uncertainty in the workforce as leadership is not skilled in the discipline of diversity management and its principles. As a result, managers do not know how to effectively practice diversity management, and what factors contribute to effective diversity management and task that can deal with diversity related issues in the work place.

Even though companies train employees upon hire, conduct ethics test, online training and targeted anti-harassment training, employees still make decisions to break the rules with their behavior when it comes to diversity. (Victoria and Mary 2010).

According to Dahm (2003), diversity within the workplace can evoke an array of emotions as, some view diversity as something to be dealt rather than a tool to be used to improve the organization. Even though, many will agree that the results of a diversity-conscious organization add value to the employee and organization, yet research evaluating diversity for the sake of developing training interventions does not exist. Dahm (2003). Hilary and Elaine (2000) suggested that organizations should embrace diversity in their workforce and work towards achieving it by creating a culture where difference can thrive, rather than working simply for representatives and assimilation.

For instance, CIMB group's chief executive officer Datuk Nazir Razak reported in The Star Online that Malaysia needs to build on its diversity and its strength and review the affirmative action policy created under the New Economic Policy. However, according to an article in The Star online, most of the Malaysian companies are not doing enough in retaining women professionals by creating conducive working environment. Based on a report from a Ranstad (2010) World of Work, many women in their 30"s were choosing to leave their workplace to find balance between work life and their home life. Lee, (2011).

Most attention on diversity management focused on the organizational decision maker who is biased against certain groups and who allows these biases to influence how he or she treats employee. Moreover, they become embodied in organizational policies and practices that systematically disadvantage some employees Loriann and Carol. (2007).

As an extension, employee diversity does not necessarily boost creativity, market share, or competitive advantage. In fact, research suggests that left un-managed, employee diversity is more likely to damage morale, increase turnover, and cause significant communication problems and conflict within the organization Loriann et, al., (2007).

The study by Eugene et al. (2011), at the Malaysia Airlines showed that there is significant relationship between ethnicity group and employee performance. They observed that teams of employees who were ethnically diverse performed poorly compared to the homogeneous teams. According to their results, in ethnically homogeneous organizations, the ethnic differences among members of diverse teams becomes more salient and are more likely to interfere with performance. They further observed that in heterogeneous organizations, the ethnic identities of team members may be less salient and therefore they create less disruption.

Another study done by Elsaid et al. (2012), in the Egyptian Pharmaceutical Industry indicated that educational background was significant in explaining employee performance when employees with different educational levels or background worked together. Those with higher education tended to perform better. Similar outcome with Munjuri et, al. (2012) study's, the Banking Sector

in Kenya with respect to the effects of educational background and employee performance showed that employees with higher education performed better.

According to Kochan, et.al (2003), people began to realize that visible, legally recognized, demographic differences such as race and gender were not only types of differences that affected work relationships among employees. Furthermore, most studies show that training programs on workforce diversity management, that presumed to enhance decision making, problem solving, and creativity at work; rarely leads to the desired long-term changes in attitudes and behavior.

Decades of research on the effects of diversity within teams and small groups indicate that diversity can have negative effects, as well as positives ones Kochan et al. (2003). Moreover, they elaborated that the lack of evidence linking workforce diversity to employee performance may be that the relationship between diversity and the bottom line is more complex than is implied by the popular discussion. Therefore, this study focuses on the relationship among gender, ethnicity, and education background towards employee's performance in ADCSI.

Thus, this study aims to fill the perceived gaps in empirical studies on the area of Ethiopian context on effect of workforce diversity on employee performance area focuses on the researched company and propose a definition of diversity and model of DM that can be applicable to related context.

1.3 Research Questions:

The research questions of this study:

1. To what extent the company consider diversity in ADCSI?
2. To what extent workforce diversity affect the performance of employees in ADCSI?
3. Do Workforce diversity and employee performance have relationship in ADCSI?
4. Which source of diversity management (Education, gender, ethnicity) have greater influence over employee performance.

1.4 Objectives of the study

1.4.1 General Objective

The purpose of this study is to examine the effect of workforce diversity towards employee performance.

1.4.2 The specific objectives of this study are:

1. To investigate the practice of workforce diversity consideration in the microfinance institution.
2. To assess workforce diversity relations with employee performance.
3. To evaluate the significance of workforce diversity over employee performance.
4. To explore which independent variable (ethnicity, gender and education background) has greater influence on the dependent variable which is employee performance.

1.5 Significance of the study

Workforce diversity is very much interrelated with HR Management in any sector to fascinate and recruit the best people from a group of diverse workforce.

Motivated by this view, the researcher target is to fill the gap on workforce diversity practices in Ethiopia with a particular reference to the case study company as well as to contribute to the enrichment of the body of knowledge on workforce diversity effect on employee performance.

It is therefore, predicted that the results of the study would go a long way to enlighten scholars and lay readers on the effects of workforce diversity upon employee work performance at Addis Credit and saving institution. The parties that will benefit immensely from this study included, the Human Resource Manager at the microfinance institution, who could use the findings of this study to review the policies on employment and the top management at microfinance institution who would use the findings of this study in policy formulation on diversity and related issues. Other microfinance institutions in Ethiopia, as well as other organizations, both private and public, that required employee services for their sustainability, would benefit from this study it also serves as literature who has a desire to know about demographic diversity. Finally, future researchers and scholars, in this field of study, would benefit too from the findings of this study

1.6 Limitation of the Study

There are some limitations that were identified during the progress of completing this research study. A major problem that can never be eliminated during the process of generating information is respondent's resistance. Lack of willingness to participate in the survey because of answering the questionnaires was time consuming and perceived as it did not bring any benefits to them. Therefore, the unresponsive and inactive behavior of the respondents may affect the study.

A mixed methods approach could have been employed combining qualitative information with quantitative outcomes. With qualitative information, greater clarity could have been provided through penetrating questions. Unfortunately, by their nature, forced-choice format questionnaires prevent researchers from gaining valuable information to reinforce their findings. The current research could have included more biographical data in the questionnaire such as income levels and disability's in order to gain more information of the participants.

All these factors may affect the reliability of the study and generalizability of the findings.

1.7 Organization of the paper

In chapter one, the researchers present the overview of the study context and explain the research problem. This chapter addresses the research objective to be achieved, the research question to be answered and briefly explain about the importance or contribution of the research. Chapter two focuses on the literature review of the theoretical argument from secondary sources such as journal, articles and etc. The empirical studies that were done in this chapter to enable the researchers to construct the hypotheses and conceptual framework of the research. Chapter three is conducted to describe how the research is carried out in terms of research design, population, sample and sampling procedures, data collection methods, operationalization and the methods of data analysis.

The results of the analysis presented in chapter four, finally, chapter five concludes with overall findings and provides the recommendations of the present research.

Chapter two

2. Review of Related Literature

2.1 Different Views of Diversity

According to Erasmus (2007), diversity relates to the collection of many individual differences and similarities that exist among people in the workplace. Grobler, (2002) and Erasmus, (2008) states that diversity is about the fact that ‘individuals may vary but they share a number of environmental and biological characteristics that are similar. Cilliers, (2007) defines diversity as the presence of people with subjective identities based on unique primary (inborn) and secondary (learnt) attributes, in one social system. These identities influence behavior on the individual, group and organizational levels, leading people to behave in terms of power relations, subgroup affiliations and intergroup dynamics’.

In support of this notion Erasmus (2007) indicates that individuals have primary characteristics which are inborn attributes, which contribute to the manner in which individuals perceive the environment and serve as a lens through which individuals interpret the world. Primary differences are factors such as age, ethnicity, gender and race. The above author also stated that individuals also have secondary characteristics which evolve or change over time and through life experiences. Secondary attributes relate to factors such as level of skill, education and religion.

While there is no consensus on the concept of diversity, the basic definition includes demographic differences which include observable social or group identities. However, diversity is complex concept has been conceptualized from several viewpoints. There are three categories of views: broad, narrow and balanced view. Erasmus (2007).

According to Janssens, Sels & van den Brande (2003), workplace diversity is a complex, controversial, and political phenomena. It has been conceptualized by researchers from several viewpoints. Nkomo (1995) stated that several researchers have looked at workforce diversity from a very narrow perspective while some from a broad view. According to Cross, Katz et al, (1994), scholars favorably disposed to a narrow definition argue that the concept of diversity should be restricted to specific cultural categories such as race and gender.

Nkomo (1995) lectured that diversity based on race, ethnicity and gender cannot be understood in the same way as diversity based on organizational functions, abilities or cognitive orientations. In harmony with Michaéla et al. (2003), argued that since a cultural diversity dimension interacts with other dimensions of diversity, a narrow concept of diversity would be deficient since it will fail to recognize those interactions.

According to Jackson, et al, (2003), advocates of a broad definition of diversity, argued that, diversity encompasses all the possible ways people can differ. According to this school of thought, individuals do not only differ because of their race, gender, age and other demographic categories but also because of their values, abilities, organizational function, tenure and personality. They contended that an individual has multiple identities and that the manifold dimensions cannot be isolated in an organizational setting.

The advocates of the broad definition of diversity further argued that, apart from bringing their race, age, ethnicity, and gender, individuals also come with their particular knowledge gained from their educational background, personality and cognitive style to the work place. They pointed out that in order to understand the dynamics of a heterogeneous workforce, interactive effects of multi-dimensional diversity have to be addressed.

According to Herring and Henderson (2011), has broadened the concept of diversity to include all differences that people bring to work, which makes its management more difficult. Wheeler (2003) defines diversity as “all the ways in which we differ...”. For them diversity includes all types if individual or human differences include a range of personal, demographic and organizational difference. McGrath, et al, (1995) conceptualized workforce diversity by way of developing a five cluster classification. This categorization is widely used and is as follows: demographic characteristic (age, ethnicity, gender, sex, physical status, religion and education), task related knowledge, skills and capacities (values, views and attitudes), personal, cognitive and attitudinal styles (status in the organization such as one`s hierarchical position, professional domain, departmental affiliation and seniority)

2.2 Managing Diversity

Organizational efforts and investments in the intentional management of diversity continue to grow (Herdman & McMillan-Capehart, (2010). Diversity management is defined as the degree of intra-organizational representation of people with different group affiliations of cultural significance Cox (1994), which is purported to expand the plurality of perspectives and experiences within an organization and can serve as a strategic resource to the organization in securing a competitive advantage Kirby & Richards, (2000).

Diversity initiatives typically involve employee recruitment and promotion strategies targeting underrepresented groups and mechanisms to both tap the latent perspectives within organizations and, ultimately, bring them to bear on organizational policy decisions (Herdman & McMillan-Capehart, (2010).

2.3 Workplace Diversity

According to Stockdale and Crosby (2004) 'workplace diversity presents as differences that affect people with regard to acceptance, work performance, satisfaction, career or job related progress in an organization'. According to Robbins (2001) workplace diversity is the challenge organizations have in exerting an effort to adapt to the dynamics of employees which are different. Workplace diversity is about inclusion, which is a challenge that encompasses everyone to work together for the optimal function of the organization. What is becoming increasingly evident is that workplace diversity is an increasing reality and organizations need to be able to manage this phenomenon successfully, as this diversity is also becoming increasingly complex Kamps & Engelbrecht, (2011).

Workplace diversity directly and indirectly affects and has influences on in-group and outgroup behavior (the effects of individuals belonging to certain subgroups, such as gender, age, or race, and thus being outside of other subgroups), stereotype and status expectancies, and individual differences in cognition, values, and behavior.

In turn, these three intermediary variables affect interpersonal and role relations and task performance Brown, Knoese & Stewart, (2009). Irrespective of the amount of information on

how to manage diversity, relatively little attention has been paid to the measures of workplace diversity Hostager & De Meuse, (2002). The dimensions of workplace diversity alter and influence organizational work and functionality. Workplace diversity plays many roles within an organization, on an interpersonal, intrapersonal and structural participation level. The dimensions of workplace diversity play a pivotal role in the organization which influences organizational policies which creates and contribute to stifling differences among employees. Workplace diversity often affects employee job satisfaction based on factors of equity related to performance appraisals, which affect salary fluctuations and career mobility.

Lack of performance, often result in disciplinary action or terminations, however if concerns develop about employees perceiving disciplinary procedures ineffective, which result in the equity continuum being labelled as inaccurate. The equity balance is affected by unfair practices such as overt discrimination against a particular race, gender or people with disabilities which affect the organizations diversity climate.

2.4 Theoretical Consideration

Diversity initiatives relate to finding the balance between the individual needs of employees and the organizational needs, while at the same time managing the conflicts and uncertainty resulting from diversity Uys, (2003) and Brooks (2007) argued and presents a few guidelines below that are required to enhance diversity management with which to effectively manage workforces:

1. **“Ensure management accountability.”** Managers who are responsible for hiring and training staff need to be held accountable for their success or failure at creating a diverse staff. In the corporate world promotions and pay raises should depend on a manager’s proven success at managing a diverse staff.

2. **“Re-examine the organization’s structure, culture, and management systems.”** Organization’s need to self-reflect and examine their systems regarding recruitment, performance appraisal criteria, promotion, and career development programs for bias.

3. “Pay attention to the numbers.” Those responsible for recruiting and managing staff need to constantly monitor the diversity statistics of their staffs, and also be managed around those statistics by CEOs.

4. “Provide training.” Training is essential for staff to understand the importance of diversity goals and to learn how to successfully manage and work with a diverse staff.

5. “Develop mentoring programs.” Mentoring relationships are crucial to retaining a diverse staff and communicating organizational expectations concerning promotions and advancement.

2.5 Benefits of Managing Workforce Diversity

Organizations employing a diverse workforce can supply a greater variety of solutions to problems in service, sourcing, and allocation of resources as employees from diverse backgrounds bring individual talents and experiences in suggesting ideas that are flexible in adapting to fluctuating. Brooks (2007)

A diverse collection of skills and experiences such as languages, cultural understanding may allow a company to provide service to customers on a global basis. A diverse workforce that feels comfortable communicating varying points of view provides a larger pool of ideas and experiences from which an organization can draw from that pool to meet business strategy needs and the needs of customers more effectively. Companies that encourage workplace diversity inspire all of their employees to perform to their highest ability. Companywide strategies can then be executed; resulting in higher productivity, profit, and return on investment. De Meuse, (2002)

2.5.1 Six Diversity Perspectives that Benefit a Diverse Workforce:

Based on a review of the literature, Cox and Blake (1991) proposed the following business benefits allowing a cost advantage within a diversity.

- **Cost Argument**

The cost argument of diversity indicates that through 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.

Diversity in an organization means being different in a workplace can allow the individual to feel excluded.

The cost argument indicates that failure to maintain and initiate 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**

The resource acquisition argument indicates that by fully utilizing and intervening with diverse employees in diversity initiatives. it benefits the organization resulting in competitive advantage. The managing resources argument in diversity means using employees to reach goals. Organizations that make an intent on including minority group women and integrating groups that feel diversity does not benefit them personally are proactively managing the interest of the organization for future success. Focusing on including minority groups and retaining previous staff decreases labor turnover and increases productivity, decreases losses and increases gains means that equilibrium in terms of diversity can be achieved. Leveraging diverse resources means that an organizations market competencies and meeting the needs of diverse consumers by understanding diverse needs which adds value to the company in the market place among consumers. Adopting a diversity management approach will develop reputations of favorability for the organization as prospective employers for women and ethnic minorities and companies get the best personnel. As the labour pool shrinks and changes composition, increasing minority groups will become increasingly important. Cox & Blake (1991).

- **System Flexibility**

System flexibility relates to managing and leading employees into work challenges and experiences that are best suited to individual needs. By clustering together, diverse individuals are able to 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. System flexibility is about how flexible the system of work can be managed so as to provide clients with improved work-output from the organization improving market share and meeting the needs of clients at an optimal level. The system becomes less standardized, and therefore more fluid, which creates more flexibility to react to environmental changes. The increased fluidity should create greater flexibility to react to environmental changes (i.e., reactions should be faster and at less cost). Cox & Blake (1991).

- **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. There is the potential for marketing gains from improved insight and cultural sensitivity, from having members with roots in other countries. Consumers are becoming more diverse and the firm needs to reflect this, or it will lose out on important markets. For multi-national organizations, the insight and cultural sensitivity that members with roots in other countries bring to the marketing effort should improve these efforts in important ways. The same rationale applies to marketing to subpopulations within domestic operations. Cox & Blake (1991).

- **Creativity Argument**

Creativity argument indicates the presence of 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. Cox & Blake, (1991).

- **Problem–Solving Argument**

Heterogeneity in groups potentially produces better decisions and problem solving through a wider range of perspectives and more thorough critical analysis of issues Cox & Blake, (1991).

2.6 Challenges of Workforce Diversity

According to Greenberg (2004) the major challenges are communication, resistance to change, and implementation of diversity in the workplace. D’Netto and Sohal (1999) cite challenges from workforce diversity as meeting diversity challenges requires a strategic human resource plan that

includes a number of different strategies to enhance diversity and promote the productivity and effectiveness. It also compels human resource managers to solicit a trainable population, check required skills and competencies against the job, market jobs sufficiently ahead of needs, and extend the workforce boundaries to include the nationals of other countries. It brings with it the need for re-examining Human resource practices from top to bottom need to be re-examined to cope with the new strengths and challenges of diversity, so better approaches can be created by management to recruit new talent, retain them, and manage them more effectively. Denton, (1992).

Robinson et al., (1994) also cite that human resource managers are faced with the challenge of convincing their senior management that diversity programs are beneficial to the organization. Some organizational leaders are concerned that implementing diversity initiatives is too expensive, upsets productivity and causes disruption in the workplace. Prejudice and hostile work environments also pose internal stumbling blocks to managing workforce diversity effectively. An important barrier that affects full integration of ethnic employees is the issue of poor communication or lack of it by failure to overcome the various barriers to communication Loden and Rosener, (1991).

According to Morrison (1992) managing diversity involves leveraging and using the cultural differences in people's skills, ideas and creativity to contribute to a common goal, and doing it in a way that gives the organization a competitive edge.

Mfene (2010) identifies three diversity challenges. These are:

- Lower group cohesiveness- diverse groups find it difficult to form a bond and be cohesive unlike similar groups who have things in common such as language, culture, background etc. in which they can relate to. The lack of group cohesiveness can result in a negative impact on teamwork and work performance in the organization.
- Communication problems- these occur when individuals assume that the other party understands the message they are conveying when in fact they do not. This leads to misunderstandings, communication problems, inaccuracies, and inefficiencies.

- Mistrust and tension- individuals tend to trust and associate with other individuals who are similar to them in terms of values and beliefs. Because of this misunderstandings and mistrust may occur between individuals who do not share the same values and beliefs.

2.7 Performance

Whereas performance refers to the act of performing; the carrying into execution or recognizable action, achievement or accomplishment, in the undertaking of a duty, employee performance refers to the effective discharge of one's duty for good results. It is how well an employee is fulfilling the requirements of the job Rue and Byars,(1993). Cascio (2006) defines performance as working effectiveness, that is, the way in which somebody does a job, judged by its effectiveness. Performance management is one of the key areas DM (diversity management) goals are integrated and aligned with the strategic objectives of the organization. DM has to be linked to performance management system and one way to ensure the integration is to hold managers accountable for ensuring equity diversity inclusion by linking their performance appraisal and compensation to the progress of diversity initiatives Kreitz, (2007).

2.7.1 Steps on the Improvement of Effectiveness of Performance Appraisal Practices in the Area of Diversity

Best practices also include Bormann & Woods, (1999); Boston College center for work & family, n.d; Singapore NIGW:

- Ensure that employees are not discriminated in the allocation of workloads and performance evaluation
- Incorporate self-assessment and 360⁰ evaluation systems as an important tool to evaluate competency for diversity and equity.
- Proper coaching and feedback mechanisms as part of the performance evaluation process
- Clear guideline on how and what to evaluate in performance appraisal system
- Training to managers on successful performance evaluation practice and techniques
- Employees to have the right to appeal or complain on unfair evaluation practices.

2.8 Relationship between Performance and Workforce Diversity

According to Fernandez (1993) argues that good workforce diversity practices in the area of human resources are believed to enhance employee and organizational performance. This is because managing diversity involves leveraging and using the cultural differences in people's skills, ideas and creativity to contribute to a common goal, and doing it in a way that gives the organization a competitive edge. Hayles and Mendez (1997) add that even recent studies have shown a strong correlation between good diversity practices and profits.

2.9 Diversity and Demographic Variables

It has been conceptualized by researchers from several viewpoints. Nkomo (1995) stated that several researchers have looked at workforce diversity from a very narrow perspective while some from a broad view. Narrow perspectives are the primary dimension of diversity. Primary differences are factors such as ethnicity, gender and race. Erasmus (2007) adds that individuals also have secondary characteristics which evolve or change over time and through life experiences. Secondary attributes relate to factors such as level of skill, education and religion. The instrument used to measure by different scholars and comprise indicators of two dimension. The workforce diversity instrument developed by Erasmus (2007) is the most comprehensive and includes items that measures employee performance out comes such as gender or age, race and ethnicity and education background.

2.9.1 Employee Performance

According to Hasan, et. al, (2009) study, conflict is a state in which two or more parties have incompatible objectives and in which their perception and behavior is appropriate with that incompatibility Mack, (1965). Conflict is a foreseeable authenticity. It may not fade away nor ignored Michael and Wayne, (2000); Medina, et al, (2005). It is found in personal, group or organizational interaction. Conflict is either "good or bad" and "sinful or immoral". It assumes significance, once it is handled intelligently. When conflict is handled unskillfully and badly, it becomes detrimental and when it is handled morally and creatively, it ceases to be frightening and incapacitated, and results in growth, maturity, and empowerment for individual, group and organization. Conflict occurs due to difference of perception, ideas, behaviors, interest, attitudes, religious differences, political differences and unjustified distribution of national resources.

Conflict is not always negative. It depends how the conflict is handle. If handled properly, it can become source of development; otherwise it creates hostilities Kigali, (2006). So it affects quality, performance and profit of organization. Conflict is essential for life and dynamic for team performance Medina et al., (2005). When managers ignore the clash between the co-workers, those clashes will be converted into personal and emotional conflict in the long run and therefore damages the organizational culture, worker morale and overall chap reduction of organizational performance.

A perception of interpersonal incompatibility is labeled as relationship conflict and it typically includes tension, annoyance and animosity among group members Hasan, et al, (2009). It is a related to difference of relationship between team members. It is infertile, difficult to manage and likely to leave people with more pressures and less ability to manage them. Normally, it occurs between frontline workers and their supervisors. It can reduce creativity, innovation, quality, and performance of employees and organizations Michael et al., (2001). Relationship conflict also relates to conflict about personal taste, political preferences, values, and interpersonal style De Dreu and Weingart, (2003).

Relationship conflict negatively effects on the team performance and it breaks personal and professional relations. Cascio (2000), defined performance as working effective which is the way in which somebody does a job, judged by its effectiveness. It is how well an employee is fulfilling the requirements of a job (Rue & Byars, 1993). Smith (2010), argued that good workforce diversity practices in the area of human resources are believed to enhance employee and organizational performance. According to Cornelius (1999), effective performance can be a key determinant in the achievement of business objectives while maximizing the contribution of employees. Schuler (1992), observed that a performance appraisal system should be objective, relevant to the job and the organization, fair to all employees and offers no special treatment.

2.9.2 Ethnicity and work performance

According to a report by Makokolo (2005), an ethnic group is a tribolistic grouping. It has a sense of common historic origins and frequently develops a sense of common destiny. Pitts (2010) contend that, as organizations become more diverse along ethnic lines, it makes sense to pay

more attention to how different groups interact with one another at work. Opstal (2009) stated that ethnic diversity can have both advantages and disadvantages for the organization. Jackson et al. (2004) cited examples of ethnic diversity disadvantages as communication problems and conflict. When managers ignore the clashes caused by ethnicity, they might be converted into personal and emotional conflict in the long run and therefore damage organizational culture, employee morale and overall sharp reduction of organizational performance. Kiglai (2006) asserted that conflict resulting from ethnicity does affect quality, performance and profit of an organization. Benschop (2001) cited discrimination as a disadvantage of ethnic diversity. Dahlin, Weingart & Hinds (2005) argued that high degree of ethnicity might be negative since it can create conflict and cliques due to social categorization.

According to Zgourides, et al, (2002), differences in cultural characteristics bring an advantage of having ethnically different views for team problem solving which can result in increased team performance when the team learns to utilize these differences to their benefit. Opstal (2009) stated the advantages of ethnic diversity as creativity and innovation. Van Knippenberg, De Dreu & Homan (2004) observed that ethnicity can provide a large pool of Van Esbroek and van Engen (2008) stated that management of diversity is important to help an organization benefit from the advantages and minimize the disadvantages of ethnic diversity that can have negative effect on employee and organizational performance. According to Timmermans, Ostergaard and Kristinsson (2011), ethnicity can be positive toward performance, since it broadens the viewpoints in the firm.

2.9.3 Gender and Work Performance

According to Connell (2002), gender refers to a description of masculinity or femininity. Empirical research supports the argument that gender diversity is positively linked to an organization's performance. McMillan-Capehart (2003), used the resource-based view of the firm to argue that gender diversity at the management and organizational levels can provide a firm with a competitive advantage. According to Leonard et al. (2003, gender-based inequities in organizations, are reinforced and justified by stereotypes and biases that describe positive characteristics and therefore a higher status to the males. They thus observed that, organizations

prefer to hire male employees compared with women because they are perceived to have better performance and abilities to manage their jobs.

2.9.3.1 Gender Influence on Diversity Management

Diversity management initiatives are always welcome but frowned upon as these types of interventions do little about changing the negative gender ideologies entrenched within the organization. Initiatives are well designed on paper but really have very little impact on altering the work climate and environment. When change is visible employees become receptive to such change especially in the event that the change benefits them. Individuals experience many challenges in the workplace within selection recruitment and promotion and it is these types of effects that influence perception of organizational diversity initiatives. Passos (2005)

Whether justice within work achievement and acknowledgement is received when due, in relation to their male counterparts, such factors influences employee perception of diversity and whether interventions are beneficial to employees or not.

Diversity policies aim to increase the presence of minority groups in the workplace to achieve an equitable balance between individuals with varying demographics in all departments and positions within organizations. Policies such as EE (equal employment) and AA (affirmative action) contain an immense level of legalities that force organizations to recruit and omit discrimination against the two gender groups. Though laws such as AA and EE push companies toward recruiting more minority groups, which women form part of and in so doing commit a reverse discrimination against males Van Zyl & Roodt, (2003). Holistically the aim of employment laws is to see women being recruited and moving up the corporate ladder equally as fast as males, according to research females make for a rich organizational culture Gallego -Álvarez, et al, (2010). Fundamentally for many organizations it would be ethically right to achieve a gender balance Gallego-Álvarez, et al, (2010). Laws such as EE and AA has motivated organizations because of the many advantages that high levels of gender diversity have for a firm.

According to Sipe, et al. (2009), the pros and cons of gender diversity programs relating to diversity management are that women lag behind men in salary, a trend that could continue which could hinder organizational development and organizations ability to meet its EE and AA

targets. Inequitable decision making power and authority are usually less favorable for women than men, which results in decreased career mobility and therefore women work in lower end jobs.

2.9.3.2 Advantage and Disadvantage of Gender Diversity:

Advantage

Disadvantage

<p>Promotes a better understanding of the marketplace, thereby increasing its ability to penetrate markets.</p> <p>Enhances creativity and innovation inside the Corporation.</p> <p>Leads to more effective problem-solving since a more diverse board provides a wider variety of perspectives.</p> <p>May improve the quality of the directors and managers if they are selected from both genders without prejudice.</p> <p>May issue positive signals to markets –labor, products and capital markets– by providing a greater degree of legitimacy to corporations and improving their reputations.</p>	<p>Implies heterogeneous teams, which tend to communicate less frequently are usually less cooperative and experience more conflicts.</p> <p>May lead to the generation of discrepancies and less speed in the decision-making process, because the leadership styles are different among males and females</p> <p>Can generate more opinions and critical questions inside heterogeneous boards that can be more time consuming.</p>
--	---

Source: Van Zyl, B & Roodt, G. (2003). Female perceptions on employment equity: is the glass ceiling cracking? South African Journal of Human Resource Management 1(2), 13-20.

2.9.4 Education Background and Work Performance

According to Tracy & David (2011), organizations commonly reject employing people whose training, experience or education is judged to be inadequate. They argued that, educational background is important to employees and that employees cannot find a job and perform well without adequate educational background. Daniel (2009), found out that various levels and types of education have different mobility rates. He argued that the occupations available to those with working experience but do not possess a certified tertiary paper may differ from those who possess such education level. Daniel (2009), conducted a study, which showed that an individual will be more productive depending on the level of their education. He observed that the more

education an individual employee receives, the more productive the employee will be. Cohen and Levinthal (2000), contended that the absorptive capacity of an organization is likely to increase with variety in knowledge structures as reflected in diverse educational majors. Jehn and Bezrukov (2004), observed that informational diversity, such as education and functional areas were positively related to actual work group performances, although the relationship was mediated by task conflict.

However, Cohen et al. (2000), observed that educational background can also negatively affect team performance and social integration in teams. Horwitz (2005), discovered that heterogeneity in education level was associated with turnover intention. Jehn, Northcraft & Neale (1999), observed that wide differences in educational background led to increase in task-related debates among work teams. Knight et al. (2009) found out that educational diversity was negatively related to decision-making consensus in top management team.

They asserted that heterogeneous educational backgrounds tend to increase the level of discomfort and conflict that may lead to decreased social integration in teams.

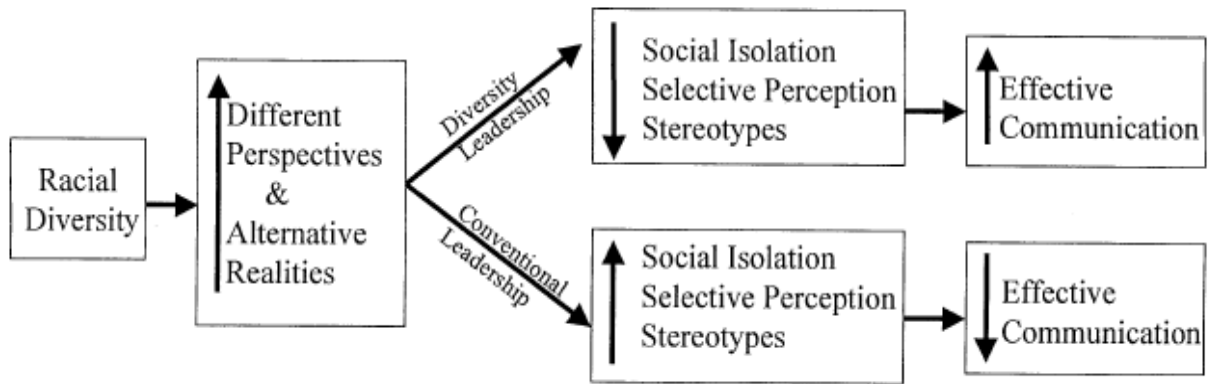
However, according to Eduard (2010), employees who are less educated are likely to suffer inferiority complex, which to a large measure may affect their performance. He argued that such employees might develop a persistent feeling of being inferior. Such employees end up feeling socially insecure and they become less confident at work. He concluded that the lack of confidence would greatly impair their performance and could even make them develop a negative attitude toward other employees and the entire organization. At some instances, they could become rebellious.

2.10 Empirical Review of Literature

2.10.1 Effects of ethnicity on employee performance

Sprainer, et al, (2000) found that Figure 2.2 is a visual representation of the resultant theoretical model of how race influences the self-perceived communication effectiveness of nursing care teams. It should be noted that, irrespective of team role or race, NCT members were generally dissatisfied with the effectiveness of team communication.

Figure 2.1: Relationship between race, leadership and the self-perceived communication effectiveness of nursing care teams (NCT).



Source: Sprainer, et al, (2000). Relationship between race, leadership and the self-perceived communication effectiveness of nursing care teams (NCT).

Sprainer, et al, (2000) found that Figure 2.1 is a visual representation of the resultant theoretical model of how race ethnic influences the self-perceived communication effectiveness of nursing care teams. It should be noted that, irrespective of team role or race, NCT members were generally dissatisfied with the effectiveness of team communication.

According to Sprainer et al. (2000), the NCT members who did characterize communication within their own NCT saw their team's performance as not representative and acknowledged that communication within other NCTs was often tense with conflict and misunderstanding.

Based on Sprainer et al. (2000) study, effective communication, widely recognized as key to high performing teams occur when sender and receiver share a common interpretation of the communication exchange; example, when the intended message and the received message are compatible. Effective communication is perhaps best viewed as an integrating mechanism. Sprainer et al. (2000) study stated that unifies racially and ethnically diverse groups and, thereby, enables teamwork.

Although communication as an integrating mechanism appears to be central to well-functioning racially and ethnically diverse teams, the process of communication in racially and ethnically diverse teams has not been the focus of group or team research. Maznevski, (1994).

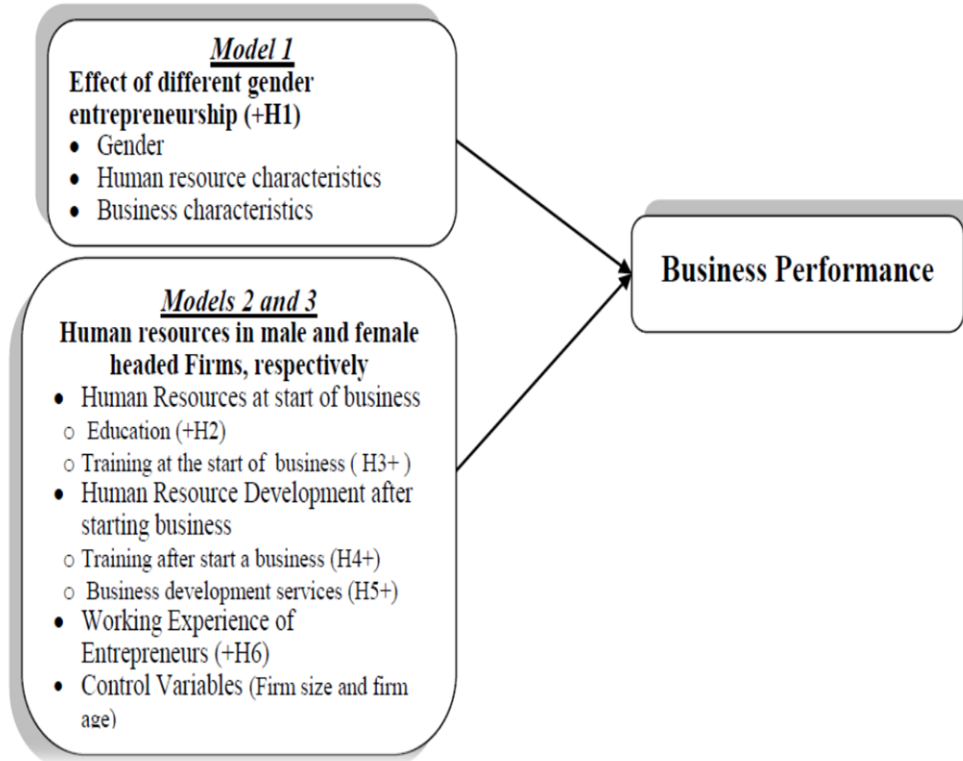
According to Sprainer et al. (2000) it is stated that the purpose of the reanalysis was to develop a grounded theory of the role that race plays in the self-perceived communication effectiveness of nursing care teams.

Grounded theory differs from other qualitative methods due to its emphasis on theory development and the associated requirement that the researchers interpret and categorize respondents' answers into an overarching framework based on Sprainer et al. (2000) study (Strauss and Corbin, 1994). Grounded theory analysis of the focus group transcripts resulted in the identification of three additional themes that serve as reinforcing factors; example, these themes deepen the conflict and miscommunication that occurs as a natural consequence of the overarching framework of different perspectives and alternative realities. Sprainer et al., (2000).

According to Sprainer et al. (2000)'s study as Figure 2.2 illustrates, leadership emerged as a powerful mitigating factor in the model of how race influences the self-perceived communication effectiveness of nursing care teams. Sprainer et al. (2000) study stated that while conventional approaches to leadership; example, approaches that deny or fail to address racial dynamics in NCTs, appear to contribute to the social isolation, selective perception and stereotypes that reinforce different perspectives and alternative realities, an alternative approach referred to as diversity leadership Dreachslin, (1996) for a thorough discussion of this approach mitigates against these same three reinforcing factors and enables NCT members to and common ground and shared purpose within the overarching framework of different perspectives and alternative realities.

2.10.2 Effects of Gender on employee performance

Figure 2.2: Model of effects of gender towards business performance



Source: Inmyxai and Takahashi (2010). Performance Comparison Derived from Human Resources Between Male and Female Headed Firms in Lao MSMEs. *International Reviews of Business Papers* Vol 6, No 2, 12-38.

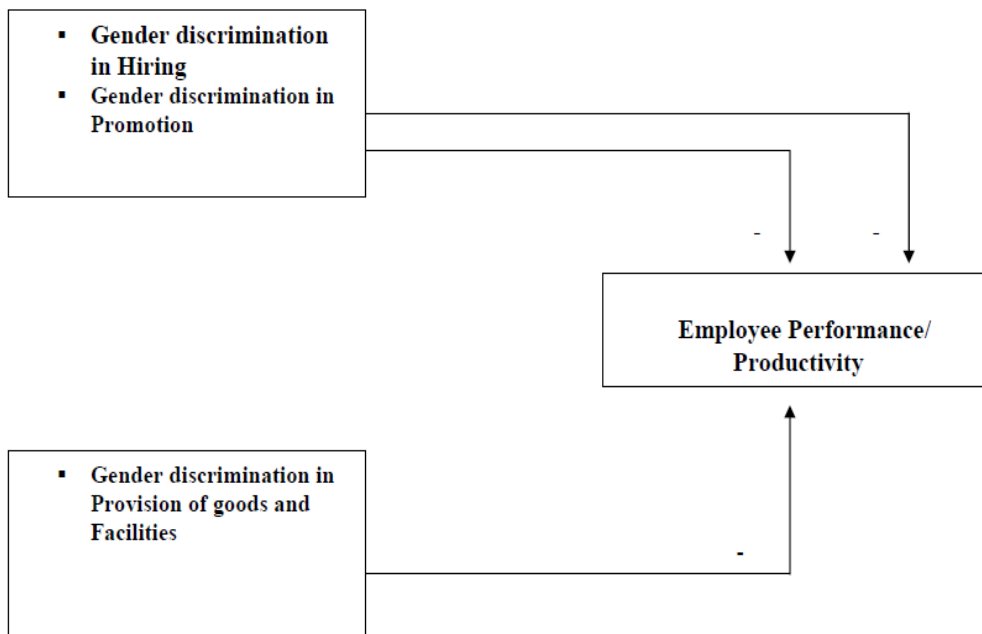
Inmyxai and Takahashi (2010) presented that there are different effects on business performance when gender; male or female headed a firm in different countries. The studies tested the result of business performance on different gender. According to researchers, it is an incentive for different gender headed firm to invest in different stages of business to maximize its performance and build core competencies through diversifying its workforce thus, contribute better performance compared with competitors.

Inmyxai and Takahashi, (2010); Cliff, (1998) argues that the liberal and social feminist theory suggest that female entrepreneurs are reluctant to grow their businesses than males because

they have fewer resources available such as insufficient business experience, a lack of freedom from domestic role and less value for business expansion.

However, the liberal feminist theory proposes that if males and females have an equal opportunity and condition to access resources available such as education, work experiences and other resources, females are expected to behave in a similar way as males do Inmyxai and Takahashi, (2010); Unger and Crawford, (1992), and eventually performance by different gender headed firms may result in similar outcomes.

Figure 2.3: Model of Gender Discrimination and Employee Productivity



Source: Abbas, et al, (2010), Gender Discrimination and Its Effect on Employees Performance or Productivity, 3rd Annual EuroMed Conference of the Euromed Academy of Business.

Recent studies identified that gender discrimination does affect employee's performance. Genders are defined as a range of differences between man and women, extending from a biological to the social. Abbas, et al, (2010) suggest that there are three dimension of gender discrimination; gender discrimination in hiring, gender discrimination in promotion and gender discrimination in provision of goods and facilities.

According to Abbas et al., (2010), women does not have an upper hand when it comes to hiring compared with men. There are also women discrimination in superintendent salary or getting promotion. Female superintendent who replace male superintendent gets a lower salary level.

Other than that, it shows that gender discrimination effects employees performance as well as organization's productivity.

Abbas et al., (2010); Patrick Francois, (1998) provides explanation that the continuation of gender discrimination and competitive labor markets and analyzes the effects on employee's performance. The literature shows that on average, women receive lower earning than men. The difference persists even when controlling hours for work, industry of work and human capital characteristics suggest that this provides evidence of wage discrimination against women.

The study presented that even though there are quotas for their presentation of female in an organization; it was superficial as the representative was appointed but the bodies were less or more powerless.

2.10.3 Effects of Educational Background on Employee Performance

2.10.3.1 Conscientiousness

Barrick and Mount (1993) described those high in conscientiousness as ideal employees because these individuals possess responsible, dependable, persistent, and achievement-oriented traits. Conscientiousness employees tend to be ambitious, exacting, methodical, and disciplined, whereas individuals low in conscientiousness tend to be imprecise, impetuous, and disorganized Gellatly, (1996). Conscientious individuals are expected to perform at a higher level because they are, by predisposition, more persevering and disciplined Colquitt and Simmering, (1998), as well as more confident in their abilities Barrick and Mount, (1991). As such, they are likely more effective in identifying key priorities and contributing activities that support organizational objectives.

Significant evidence indicates that the conscientiousness; performance association is augmented in the presence of certain moderating variables. For example, studies have demonstrated the utility of including autonomy Gellatly and Irving, (2001), organizational politics, agreeableness

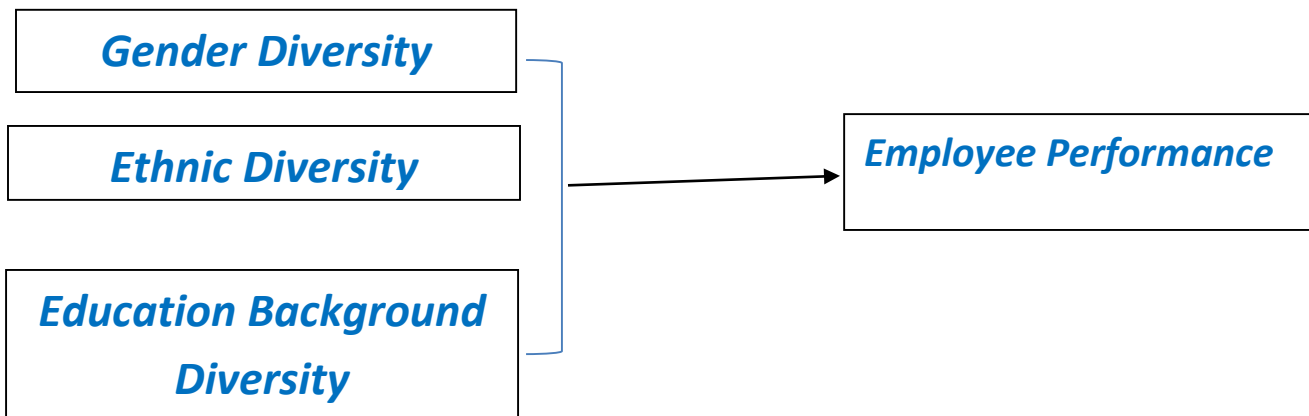
(Witt, et al, 2002), and extraversion (Witt, 2002) as intervening factors. However, in the search for moderators, a significant concern related to unexpected inverse relationships between conscientiousness and performance has surfaced Driskell et al, (1994). As a result, the continued search for appropriate moderating variables is necessary to further supplement our knowledge and provide insight into the conscientiousness–performance relationship.

2.11 Conceptual Frame work and Hypotheses

2.11.1 Conceptual Frame

From the journals refers, the researcher realizes that the three variable of workforce diversity is very important in affecting employee performance so the researcher came out with a framework as stated below. The study consists independent variables of ethnicity, gender, and education and the dependent variable of employee performance. These relationships are represented in Figure 2.4. Below.

Figure 2.4 Conceptual Framework



Independent Variables

Dependent Variable

Source: Abdallah Mwatumwa (2015) Effects of workforce diversity towards employee work performance.

2.11.2 Hypothesis

Based on the research objective and the proposed conceptual frame work/ model stated in the above, then the following hypothesis is presumed:

H1: There is a significant relationship between gender diversity and employee performance

H2: There is a significant relationship between ethnic diversity and employee performance

H3: There is a significant relationship in the performance of employees on the basis of the level of education.

CHAPTER THREE

3. RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlined the methods of research, provided guidance to implementation of the research towards the realization of the objectives. Having considered the underpinning theories, and the research questions, this section described the background to this study from the methodological point of view. The following section covered; research design, population, sampling technique instruments, sampling frame, sample size and, data collection procedures, questionnaire design, data processing and analysis finally ethical consideration of the researcher.

3.2 Research Design

Research design is the overall plan or strategy for conducting or carrying out the research Oso & Onen, (2008). Explanatory survey study and Quantitative business research was used. According to Cooper et. al (2003) as cited by Farhadi (2009) quantitative research helps to determine the relationship between an independent variable and a dependent variable in a population. It also used to explain causal relationship to facilitate generalization and to predict the future. Whereas qualitative research method provides a complete picture of the situation by increasing the understanding of social process and interrelation. Based on the objective of the study and the availability of relevant information, this study has used quantitative research design which helps to arrive at possible research destination efficiently. The quantitative approach was applied to examine the relationship between the dependent variables (i.e. employee performance) and the independent variables (i.e. Gender diversity, ethnic diversity and education diversity).

3.3 Target Population

Population refers to the entire group of people, events, or things that the researcher wishes to investigate. Sekaran (2003). The company that was targeted is Addis Credit and Saving Institution. Therefore, the target population for this research were the employees in head office and kirkos district microfinance institution which consists of 87 and 35 respectively. Generally, the population of the study is 122.

Table 3.1: Population Framework.

Branch	No of staff	Percentage
Head office	87	71.31
Kirkos district	35	28.69
Total	122	100

3.4 Sample Size Determination

The study draws sample from all employees of the selected branches of the institution, the sample and the formula below used to calculate sample size, according to (kothari, 2004).

$$n = \frac{z^2 \cdot p \cdot q \cdot N}{e^2 (N - 1) + z^2 \cdot p \cdot q}$$

Where,

n is the sample size

N: the total Population size

Z α /2: normal reduced variable at 0.05 level of significance z is 1.96

P: population reliability (or frequency estimated for a sample of size n), where p is 0.5

q = 1-p

e: margin of error considered is 5 % for this study.

Thus,

$$n = \frac{(1.96)^2 * 0.5 * 0.5 * 122}{(0.05)^2(122-1) + (1.96)^2 * 0.5 * 0.5}$$

$$n = \frac{117.1688}{1.2629}$$

n = 93

Therefore, the sample size is 93

3.5 Sampling Technique

The sampling technique in this study was stratified random sampling. Stratified random sampling is a modification of random sampling in which researcher divide the population into two or more relevant and significant strata based on one or a number of attributes Saunders, et.al (2009). Thus, this technique was chosen because the population of the study consists of head office and Kirkos district staff, each being a stratum. This technique done first, by identifying each of two strata within the target population as a stratum and then both samples were divided for each stratum through adopting proportional allocation as shown below.

$$n_h = \frac{n \times N_h}{N}, \text{ Where } n_h \text{ is the number of samples to be determined in each stratum (i.e. head office and Kirkos district)}$$

n is the total sample size

N_h is the size of each stratum

$$n_1 = \frac{n \times N_1}{N}, \text{ where } n_1 \text{ is the total sample to be determined from head office}$$

N_1 is the total number of employees in head office

$$= \frac{93 \times 87}{122} = \frac{8091}{122} = 66.32 = 66$$

$$n_2 = \frac{n \times N_2}{N}, \text{ where } n_2 \text{ is the total sample to be determined from Kirkos district}$$

N_2 is the total number of employees in Kirkos district

$$= \frac{93 \times 35}{122} = \frac{3255}{122} = 26.68 = 27$$

Finally, the following samples were taken from each stratum summarized below in Table 3. 2.

Table 3. 2: Sampling Frame

Stratum of Employees	Population	Population proportion	Sample Size	Percentage
Head office	87	0.71	66	71
Kirkos district	35	0.29	27	29
Total	122	1	93	100

Source: Researchers' own

3.6 Procedure for Data Gathering

The data gathering process was quantitative research process. The primary and secondary sources were used to gather relevant data. The primary data were collected using survey questionnaires with employees of Addis Credit and Saving Institution with subject matter. Secondary data were also collected from HRM office, publications, books, journal articles, company's yearly magazine and online materials from the web. For this study, the research instrument used is self-administered questionnaire. Self-administered questionnaire required respondent takes the responsibility to read and answer the questions.

Measurement or questionnaire adopted from several journals was used to ensure higher validity. The questionnaire adopted for this research undertaking, is known as the Workforce diversity survey. The decision to utilize the particular measuring instrument is because its psychometric properties were evident, and the questionnaire had been used in a number of empirical studies. Cooper & Schindler (2003). The questions consisted of 5 point Likert scale where the respondent expected to strongly agree, agree, neutral, disagree and strongly disagree with carefully constructed that ranged from very positive to very negative toward an attitudinal phenomenon. The questionnaire was tested by Pilot teste using Cronbach reliability coefficient testing. Cronbach's Alpha can be interpreted as percentage of variance where the observed scale would explain in hypothetical true scale composed of all possible items in the universe. According to Zikmund et. al., (2010) scales with coefficient alpha score of 0.6 and 0.7 indicate fair reliability, a Cronbach's alpha score of .70 or higher and considered as adequate to determine reliability. An alpha coefficient of 0.7 was obtained. Thus, the data generation was reliable and free of random error.

3.7 Reliability Test

The Questionnaires are designed in the following way:

3.7.1 Biographical Data Sheet (Section A)

The biographical section required information with respect to gender, age, ethnic group, branch, level of education, and service year.

3.7.2 Work Force Diversity Survey

(Section B, C, D, E): consists of three independent variables which is to determine the main effects of workforce diversity towards employee's performance. Each variable consists of 5 to 9 questions to be answered by respondents. Section E consists of 10 questions that talked about dependent variable employee's performance.

3.7.3 Origins of Construct

Table 3.3: The origin of construct in the research

Construct	Adopted From	Reliability of the instrument
Gender	Joseph R. & Chinnatambi S. (2015)	0.817
Ethnicity	Abbas,Qaisar,Hameed & Abdul (2010)	0.735
Education Background	Giles E.F (2008)	0.846
Employee Performance	Giles E.F (2008)	0.733

Source: Adapted for research

3.7.4 Pilot Test

After designing the questionnaire, reliability analysis was done to ensure measurements are reliable for the research. Pilot test is a survey which is done on a small group of respondents to make sure the questions being asked in the questionnaire are reliable. 20 sets of questionnaires have been distributed. Respondents were asked to comment and suggest changes to the questionnaire. Most of the feedbacks directed to the comprehensibility of items; therefore, researcher modified and inserted some of the items to improve their clarities. Pilot test minimizes the mistakes made in the questionnaire as well as the difficulties before making progress to distribute it out to the 93 targeted respondents. Reliability of the questionnaire was tested as well using reliability test with the help of Statistical Package for Social Science (SPSS) software. The result of pilot test is shown below:

Table 3.4: Reliability Test

NO	Constructs	Cronbach Alpha	No of Items
1	Gender	0.807	9
2	Ethnicity	0.712	7
3	Education back ground	0.735	6
4	Employee performance	0.736	10

Source: Developed for research from SPSS version 20

The Cronbach alpha for gender diversity, ethnic diversity, and education background diversity and employee performance was measured using 9, 7, 6 and 10 questions respectively. Cronbach alpha values estimated are higher than 0.70, the internal consistency of the survey is found to be good.

3.8 Validity Test

In order to ensure the validity of the research instrument, the researcher gave the draft questionnaire to the advisor and senior colleagues in the field to evaluate appropriateness of the items and to ensure that all the questions asked in the questionnaire fully exhaust all that are implied by the research questions, objectives and the formulated hypotheses. In addition, feedback from the pilot survey were another way of checking the appropriateness of the question.

3.9 Data Processing

Data processing is a class of programs that organize and manipulate data which is usually large amounts of numeric data and convert data into usable information. In data processing, there are generally few steps which include data checking, data editing, data coding, data transcribing and data cleaning. After completing the questionnaires, checked to allow early detection of any problems and also appropriateness of the questions by conducting the pilot test; whether any corrections or amendments that is needed before conducting the real survey. the second step were the collected data checked whether any mistakes made by either the researcher or respondent. Then data editing process were conducted to ensure the information provided was accurate, complete, and consistent. Data coding is to assign a code with a specific numerical value

in response to each specific question on the survey instrument. Finally coded data from the questionnaires inserted directly into computers and transcribed into SPSS software for data analysis.

3.10 Methods of Data Analysis

Data analysis is an application of reasoning to understand, clear and interpret the data or information that have been collected through the questionnaires. Zikmund, (2003).

3.10.1. Descriptive Analysis

Descriptive statistics are used to describe the basic features or provide a concise summary of the data in a study. They provide simple summaries about the data numerically or graphically. Together with simple graphics analysis, they form the basis of virtually every quantitative analysis of data. Descriptive statistics are used to present quantitative description in a managerial form, helps us to simplify large amounts of data in a sensible way, reduces lots of data into a simpler summary, and provide a powerful summary that may enable comparisons across.

Of the most common descriptive statistics (tabular, diagrammatic, and measures of central tendency or dispersion), this study uses:

1. Frequency distribution
2. Bar chart and pie chart
3. Mean and standard deviation

3.10.2. Inferential Analysis

Inferential statistics allows us to draw conclusions from sample data that might not be immediately obvious to the totality of the population. Inferential statistics use a random sample of data taken from a population to describe and make inferences about the population. Inferential statistics are valuable when it is not convenient or possible to examine each member of an entire population. This study uses the correlation analysis, multiple linear regression analysis, and one way analysis of variance (ANOVA).

3.10.2.1 Correlation Analysis

A Pearson correlation measures the strength of the linear relationship between two variables. A linear relationship is one that can be captured by drawing a straight line on a scatter plot between the two variables of interest. The value of the correlation which ranges between -1.0 and 1.0 provides information both about the nature and the strength of the relationship. The sign of the correlation describes the direction of the relationship. A positive sign indicates that as one variable gets larger the other also tends to get larger, while a negative sign indicates that as one variable gets larger the other tends to get smaller. The magnitude of the correlation describes the strength of the relationship. The further that a correlation is from zero, the stronger the relationship is between the two variables. A zero correlation would indicate that the two variables aren't related to each other at all. Correlations only measure the strength of the linear relationship between the two variables.

The Pearson correlation coefficient denoted by r between two variables is given by:

$$r = \frac{n \sum_{i=1}^n xy - (\sum_{i=1}^n x)(\sum_{i=1}^n y)}{\sqrt{[n \sum_{i=1}^n x^2 - (\sum_{i=1}^n x)^2][n \sum_{i=1}^n y^2 - (\sum_{i=1}^n y)^2]}}$$

Where, n is the total sample size

x is the value of the independent variable

y is the value of the dependent variable

3.10.2.2 Multiple Linear Regression Analysis

Regression is a statistical tool that allows predicting the value of one continuous variable from one or more other variables. When performing a regression analysis, a regression equation predicts the values of the dependent variable using the values of your independent variables. Each independent variable is associated with specific coefficients in the equation that summarizes the relationship between that independent variable and the dependent variable.

Multiple linear regression attempts to model the relationship between two or more explanatory variables and a response variable by fitting a linear equation to observed data. Every value of the independent variable x is associated with a value of the dependent variable y .

Multiple regression allows to build an equation predicting the value of the dependent variable from the values of two or more that independent variables. The parameters of this equation can be used to relate the variability in the dependent variable to the variability in specific independent variables.

The linear model is:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \dots + \beta_k X_k + \varepsilon$$

Where,

Y is the dependant variable

β_0 is the regression constant

X_i 's (X_1, X_2, \dots, X_k) are explanatory or dependant variables

β_i 's ($\beta_1, \beta_2, \dots, \beta_k$) are regression coefficients

ε is the random disturbance term

3.10.2.3 One Way Analysis of Variance (ANOVA)

The one-way analysis of variance (ANOVA) is used to determine whether there are any statistically significant differences between the means of three or more independent (unrelated) groups. According to Hair et al. (2007), ANOVA is used to assess the statistical differences between the means of two or more groups. ANOVA also helps researchers to examine the research problem that involves several independent variables.

The one-way ANOVA compares the means between the groups you are interested in and determines whether any of those means are statistically significantly different from each other. Specifically, it tests the null hypothesis:

$$H_0: \mu_1 = \mu_2 = \mu_3 = \dots = \mu_k$$

Where, μ = group mean and k = number of groups. If, however, the one-way ANOVA returns a statistically significant result, we accept the alternative hypothesis (H_A), which is that there are at least two group means that are statistically significantly different from each other.

Researchers used one-way ANOVA to test if any significant difference between gender diversity, ethnic diversity, and educational diversity with the employee performance in an organization.

3.11 Ethical Considerations

The participants in this study was selected with full consent and informed to respond for questionnaires with confidence and understanding the purpose of the thesis, and the researcher was assuring that as she will keep the information confidential and the data will be used only for academic purpose.

CHAPTER FOUR

4. RESULTS AND DISCUSSION

This chapter presents and discusses the results obtained from reliability analysis of the data collection instruments and describes the study participants based on demographics data. Then the respondent's demographic profile and descriptive analysis is used to summarize basic features of the quantitative data collected and finally inferential analysis is used to infer from sample data to the whole population are discussed at length in this chapter.

The statistical analyses presented in this thesis were done using SPSS statistical software package and Microsoft Excel.

4.1. Response Rate

Response rate, the percentage of people who respond to a survey is important, and shouldn't be left to chance. High survey response rates help to ensure that survey results are representative of the target population. A survey must have a good response rate in order to produce accurate, useful results.

The essence of determining the response rate is to enquire whether it is sufficient enough to generalize the results to the target population (Mungai, 2015). Generally, 93 questionnaires were distributed to sample respondents of the two categories of the Addis Credit and Saving Institution (ADCSI) which consists of 66 employees working in head office and 27 in kirkose district. Response rates are calculated by dividing the number of usable responses returned by the total number of eligible in the sample. Mitchell (2007) suggests that the survey response rate should be calculated as the number of returned questionnaires divided by the total sample who were sent the survey initially.

Therefore, out of the distributed questionnaires (93, in all 85 questionnaires from (head office 60, and kirkose district 25) were returned. Thus, as shown in table 1, the researcher attained a total response rate of 91.40% which believe to be encouraging. This high response was achieved because the survey was personally administered.

Table 4.1 Respondents Response Rate

Category	Sample Size	Expected Response	Actual Response	Percentage
Head Office Employees	66	66	60	90.91
Kirkos District Employees	27	27	25	92.59
Total	93	93	85	91.40

Source: Own Survey 2017

4.2 Descriptive Analysis

The research discusses demographic profile of the respondent's and central tendencies measurement of constructs.

4.2.1 Demographic Characteristics of Respondents

In the questionnaire survey, each respondent was asked five questions regarding their demographic profile. This part provides an analysis of the demographic information which includes gender, age, working experience (in years), ethnicity, educational level and branch in the institution of the sampled respondents based on frequency analysis obtained from the questionnaire survey.

4.2.1.1 Gender

	Frequency	Percent
Valid male	37	43.5
Valid female	48	56.5
Total	85	100.0

Source: Own Survey 2017

Table 4.2 shows the gender distribution of respondents. Male respondents constituted 43.5%, while 56.5% were female. In other words, from the 85 respondents, 37 of them are male while the remaining 48 are female. The data is showing that the female gender is prominent when we compare with male gender.

4.2.1.2 Age

	Frequency	Percent
18-30	33	38.8
31-40	36	42.4
Valid 41-50	15	17.6
51-60	1	1.2
Total	85	100.0

Source: Own Survey 2017

Table 4. 3 and figure 1 show the age of characteristics of respondents. 42.4% and 38.8% are within the age group of 31-40 and 18 – 30 respectively, while 81.2% are cumulatively within the age group of 18-40. The data shows that a relatively high proportion of the workforce is in their active productive years.

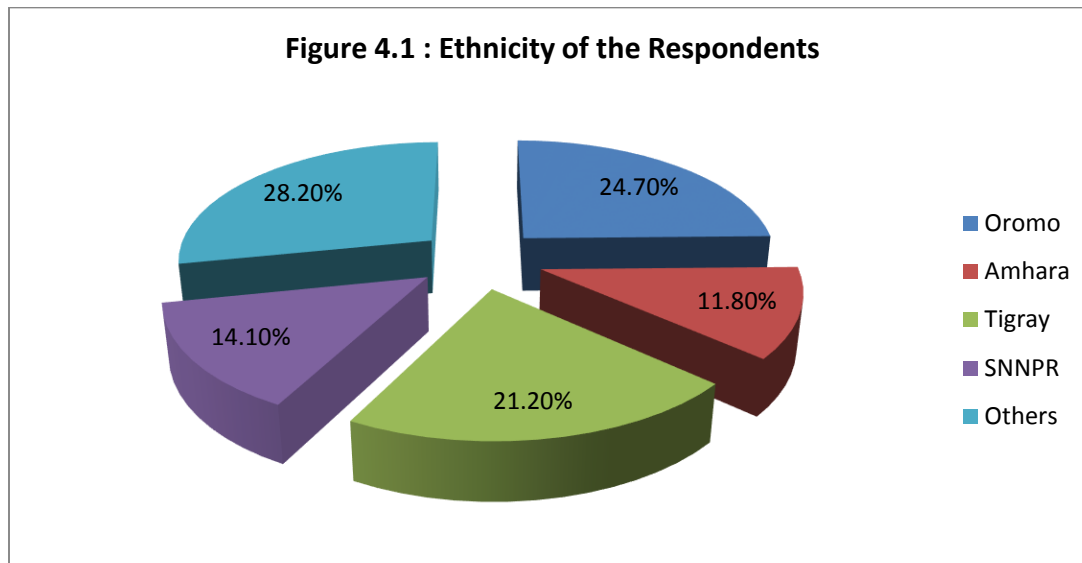
4.2.1.3 Working Experience

	Frequency	Percent
0-5	52	61.2
Valid 6-10	29	34.1
11-15	4	4.7
Total	85	100.0

Source: Own Survey 2017

Table 4 4 shows that the highest proportion of respondents with 0 – 5 years of working experience (61.2% or 52 respondents), followed by 6 – 10 years (34.1% or 29 respondents), and there are less number of respondents working more than 15 years (4.7% or 4 respondents) in the organization.

4.2.1.4 Ethnicity (Nationality)



Source: Own Survey 2017

Figure 4.1 shows that the highest proportion of respondents are Oromo (24.7 %), followed by Tigray (21.2%), and the smallest proportion of the respondents are Amhara (11.8%) in the organization.

4.2.1.5 Educational level

	Frequency	Percent
Below Diploma	12	14.1
Diploma	47	55.3
Valid First Degree	25	29.4
Second Degree and Above	1	1.2
Total	85	100.0

Source: Own Survey 2017

Table 4.5 shows that, 14.1% of the respondents are the background of below diploma, while 55.3% of the respondents are from diploma-graduation and 29.4% of the respondents are first degree holders. Since the Credit and Saving Institution is highly growing institution in Ethiopia,

more people are working with good background in their education levels. Cumulatively 84.7% are from both diploma and first degree; it resembles the importance of education in Credit and Saving Institution jobs of Ethiopia

4.2.1.6 Branches of the Institution

	Frequency	Percent
Head office	60	70.6
Valid Kirkos	25	29.4
Total	85	100.0

Source: Own Survey 2017

Table 4.6 shows that, the majority of the respondents (60%) working in the head office while the remaining 25% working in Kirkos branch.

4.2.1.7 Cross Tabulation (Gender * Age, Educational Level * Gender, and Ethnicity * Educational Level)

Cross-tabulation is one of the most frequently used methods of analysis for questionnaire data. It enables us to examine the relationship between categorical variables in greater detail than simple frequencies for individual variables. The following table shows the statistical analysis associated with cross tabulation between diversity predictors.

Table 4. 7: Cross Tabulation between Diversity Predictors

Gender * Age Cross tabulation						
Count						
		Age				Total
		18-30	31-40	41-50	51-60	
Gender	male	8	19	9	1	37
	female	25	17	6	0	48
Total		33	36	15	1	85

Educational Level * Gender Cross tabulation						
Count						
		Educational Level				Total
		Below Diploma	Diploma	First Degree	Second Degree and Above	
Gender	male	4	16	17	0	37
	female	8	31	8	1	48
Total		12	47	25	1	85

Ethnicity * Educational Level Cross tabulation						
Count						
		Educational Level				Total
		Below Diploma	Diploma	First Degree	Second Degree and Above	
Ethnicity	Oromo	3	13	5	0	21
	Amara	0	4	6	0	10
	Tigray	2	12	3	1	18
	SNNPR	2	5	5	0	12
	Other	5	13	6	0	24
	Total	12	47	25	1	85

Source: Own Survey 2017

From table 4.7 we can see the numbers of males and females who were treated by each age category. In particular, we can see that the majority (48) are females. Clearly then, the proportions of male/female were not equally distributed across the four age groups: more of the respondents were within the age group between 31 - 40, and from 51 - 60 tended to only one respondent. Again, the proportions of male/female were not equally distributed across the four educational level meaning that the below diploma and diploma educational levels tended to females, and the first degree educational level tended to male employees. More of the employees (55%) in Addis Credit and Saving Institution (ADCSI) were diploma. The educational level of all Amhara employees in Addis Credit and Saving Institution (ADCSI) were diploma and above, while the majority of the Oromo employees were diploma and below. Finally, from all employees working Addis Credit and Saving Institution (ADCSI) there is no any second degree and above except from one from Tigray ethnicity indicating that the institution must allow its employees to pursue their second degree from all ethnicity.

4.2.2 The state of workforce diversity

Measurement of central tendencies (MCT) is used to discover the average or mean (\bar{x}) and standard deviation (**S**) for the five interval-scaled constructs. t. All of the items/questions for all the variables are being asked using 5-point Likert scale with 1 indicating —Strongly Disagree, 2 indicating —Disagree, 3 indicating —Neutral, 4 indicating —Agree, and 5 indicating —Strongly Agree. For each item (questions) the impact of each independent variables (gender, ethnicity, and educational background) on the dependant variable (Employee Performance) with particular percentage, mean and standard deviation were obtained.

Table 4.8: The Effects of Gender Diversity on Employee Performance

			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean (\bar{x})	Standard Deviation(S)
Employees	are	not	8.2 %	30.6%	21.2%	29.4 %	10.6 %	3.04	1.17
discriminated		during							

hiring and recruitment process on gender basis								
ADCSI does a good job of attracting and hiring women	3.5 %	21.2%	23.5%	30.6 %	21.2 %	3.45	1.15	
At ADCSI fair treatment is given to all employees whether male or female.	4.7%	29.4%	34.1 %	23.5 %	8.2 %	3.01	1.03	
The transformational leadership style of the female employee contributed to the success of the team.	3.5 %	22.4%	23.5 %	38.8 %	11.8 %	3.33	1.06	
Gender diverse team showed better problem solving and decision making skills than gender homogenous teams.	3.5 %	15.3%	17.6 %	41.2 %	22.4 %	3.63	1.10	
A career development that includes women is encouraged at the ADCSI	2.4 %	25.9%	23.5 %	27.1 %	21.2 %	3.39	1.16	
Training and development program is structured to meet the criteria/ requirement of male and female gender.	14.1 %	29.4%	20.0 %	23.5 %	12.9 %	2.92	1.27	
Gender diverse teams achieved target due to	3.5 %	25.9%	24.7 %	28.2%	17.6 %	3.31	1.14	

the good relationship and
effective communication

I am positive about gender diversity at the ADCSI	3.5 %	18.8%	20.0 %	37.6 %	20.0 %	3.52	1.12
---	-------	-------	--------	--------	--------	------	------

Source: Own Survey 2017

The average number of respondents to the statement “ Gender diversity or gender diverse team showed better problem solving and decision making skills than gender homogenous ” has the highest mean score ($\bar{x} = 3.63$), while “Training and development program is structured to meet the criteria/ requirement of male and female gender” has the lowest average or mean number of respondents ($\bar{x} = 2.92$).

The maximum variability of the respondents is occurred to the item “Employees are not discriminated during hiring and recruitment process on gender basis” with standard deviation ($S = 1.17$), while the minimum variability of the respondents is occurred to the statement “Gender diverse team showed better problem solving and decision making skills than gender homogenous teams” having standard deviation ($S = 0.10$).

Higher number of the respondents (30.6%) disagreed that he/she have been discriminated by employer while hiring and recruitment process, while 29.4% of them agreed with that statement. 30.6% of the respondents agreed that they feel the institution does a good job of attracting and hiring women, while 23.5% of them neither agreed nor disagreed with that statement. Mean while, 29.4% of the respondents disagreed that fair treatment is given to all employees whether they are male or female and 31.4% of them neither agreed nor disagreed with that statement. The maximum number of the respondents (38.8%) agreed with transformational leadership style of the female employee contributed to the success of the team but the minimum number of the respondents (3.5%) strongly disagreed with the statement. 41.2% of respondents agreed that gender diversity plays a key role in problem solving and decision making processes while only a

few respondents 3.5% strongly disagreed. The higher of the respondents 27.1% agreed with career development that includes women is encouraged within the institution and 25.9% of them disagreed. For the statement, the institutions' training and development program is structured to meet the criteria/requirement of the male and female gender there is 29.4% of respondent disagreed and 23.5% of them agreed. 28.2% of respondents agreed that gender diverse teams achieved target due to good communication relation within the institution while 25.9% of them strongly disagreed. Finally, 37.6% of the respondents agreed that they think positive about gender diversity in the institution, while only 3.5% of them strongly disagreed with this statement.

Table 4.9: The Effects of Ethnic Diversity on Employee Performance

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean (\bar{x})	Standard Deviation(S)
Addis Credit and Saving institution attracts and hires employees from all ethnic background	5.9 %	22.4%	15.3%	38.8 %	17.6 %	3.40	1.19
Opportunities for growth and advancement exist for all ethnic groups	8.2 %	25.9%	23.5%	29.4 %	12.9 %	3.13	1.18
The ethnic diversity in our team promoted free flow of information between ethnic groups	4.7%	28.2%	28.2 %	23.5 %	15.3 %	3.16	1.14
Different languages used to communicate create problems among employee.	4.7 %	30.6%	30.6 %	21.2 %	12.9 %	3.07	1.11

The ethnic diversity in our team helped to expedite the completion of our task on time	5.9 %	28.2%	29.4 %	28.2 %	8.2 %	3.05	1.07
The ethnic differences in work groups do not encourage conflict.	4.7%	25.9%	24.7 %	24.7 %	20.0 %	3.29	1.19
I am positive about ethnic diversity at the ADCSI	8.2 %	23.5%	27.1 %	27.1 %	14.1 %	3.15	1.18

Source: Own Survey 2017

The highest average number of respondents ($\bar{x} = 3.40$) are favored to the statement “institution attracts and hires employees from all ethnic background”, while “ethnic diversity in the team helped to expedite the completion of our task on time” has the lowest average number of respondents ($\bar{x} = 3.05$).

The maximum variability of the respondents is occurred to the items “institution attracts and hires employees from all ethnic background” and “ethnic differences in work groups do not encourage conflict” with standard deviation ($S = 1.19$), while the minimum variability of the respondents is occurred to the statement “ethnic diversity in the team helped to expedite the completion of their task on time” having standard deviation ($S = 1.07$).

(38.8%) of the respondents agreed that the institution attracts and hires employees from all ethnic background, while only 5.9% of them strongly disagreed with the statement. Higher number of the respondents 29.4% agreed that the opportunities for growth and advancement exist for all ethnic groups, but 8.2% of them disagreed. Mean while, the same percentage of the respondents 28.24% are neutral and disagreed that the ethnic diversity in the team promoted free flow of information between ethnic groups as well as again 30.6% of the respondents are neutral and disagreed that different languages used to communicate create problems among

employee. The statement “The ethnic diversity in the team helped to expedite the completion of their task on time” is favored and in favored by the number of the respondents (28.2%) but the maximum number of the respondents 29.4% are neutral. The higher number of the respondents (25.9%) disagreed with ethnic differences in work groups do not encourage conflict but the same percentage of the respondents 24.7% are neutral and disagreed. Finally, 27.1% of the respondents agreed and remains neutral that they are thinking positive about gender ethnic diversity in the institution, while the minimum number of respondents 8.2% strongly disagreed with this statement.

Table 4.10: The Effects of Educational Background Diversity on Employee Performance

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean (\bar{x})	Standard Deviation(S)
The recruitment plan of the ADCSI is based on the educational background of applicants	8.2 %	25.9%	22.4%	28.2 %	15.3 %	3.16	1.21
ADCSI provides paid study leave to employees who further their education	9.4 %	36.5%	25.9%	24.7 %	3.5 %	2.76	1.04
At the ADCSI, opportunities for growth and advancement exist for employees who have low educational qualifications.	5.9%	24.7%	29.4 %	30.6 %	9.4 %	3.13	1.08
At the ADCSI differences in educational	5.9 %	25.9%	30.6 %	30.6 %	7.1 %	3.18	1.57

background do not bring
conflict among employee

As an employee of ADCSI, I experience lack of confidence due to my educational background.	7.1 %	21.2%	17.6 %	41.2 %	12.9 %	3.32	1.16
--	-------	-------	--------	--------	--------	------	------

ADCSI gives equal treatment when it comes to educational background.	11.8%	36.5%	27.1 %	21.2 %	3.5 %	2.68	1.05
--	-------	-------	--------	--------	-------	------	------

Source: Own Survey 2017

The highest average number of respondents ($\bar{x} = 3.32$) experience lack of confidence due to their educational background, while the minimum number respondents in average ($\bar{x} = 2.68$) didn't have equal treatment when they comes to educational background.

There exist greater variability on the respondents ($S = 1.57$) at the institution is occurred due to differences in educational background do not bring conflict among them, while the minimum variability of the respondents is existed to the statement "the institution provides paid study leave to employees who further their education" having standard deviation ($S = 1.04$).

The recruitment plan of the institution is based on the educational background of applicants is favored by the maximum number of the respondents 28.2%, while 25.5% and 8.2% of the respondents are disagreed and strongly disagreed respectively that the recruitment plan of the institution is based on the education background of the applicants. Higher number of the respondents 36.5% disagreed that the institution provides paid study leave to employees who further their education and only small number of respondents 3.5% strongly agree to the statement. 30.6% of the respondents agreed and 29.4% of them neither agreed nor disagreed that "opportunities for growth and advancement exist for employees who have lower

qualification in education”, while 5.9% of them strongly disagreed with that statement. The same percentage of the respondents 30.6% agreed and neither agreed or disagreed to the item “at the institution differences in educational background do not bring conflict among employee”. 41.2% of the respondents agreed that at work, they experience lack of confidence due to their education background, while 21.2% of them disagreed with that statement. 36.5% of the respondents disagreed and 27.1% of them neither agreed nor disagreed that their institution gives equal treatment when it comes to the diversity of education background.

Table 4.11: Central tendencies Measurement of Construct for Employee Performance

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean (\bar{x})	Standard Deviation(S)
At the ADCSI, I enjoy my tasks and the division of work approach.	4.7 %	25.9%	28.2%	31.8 %	9.4 %	3.15	1.06
I am always committed to the mission and vision of the ADCSI	10.6 %	21.2%	23.5%	45.9 %	22.4 %	3.8	0.91
I love my work and I am motivated to complete the tasks that are assigned to me always	1.2%	10.6%	20.0 %	43.5 %	24.7 %	3.8	0.97
I co-operate well with my colleagues of different ethnic backgrounds.	2.4 %	28.2%	24.7%	28.2 %	16.5 %	3.28	1.12
My performance level has effect on my salary level.	8.2 %	23.5%	20.0 %	34.1 %	14.1 %	3.22	1.20

You are satisfied regarding your associate works	16.5 %	36.5%	21.2 %	21.2 %	4.7 %	2.61	1.13
At the ADCSI employees are given a chance to apply their own methods of doing their work.	5.9 %	29.4%	30.6 %	25.9 %	8.2 %	3.01	1.06
Training given by the company encourage me to work better	4.7 %	17.6%	27.1 %	34.1%	16.5 %	3.40	1.10
At ADCSI employees with higher educational qualifications perform better than those with lower qualification.	34.7 %	22.4%	29.4 %	32.9 %	10.6 %	3.22	1.06
Good employee work performance is important for the future growth of the ADCSI	0%	17.6%	23.5%	36.5%	22.4%	3.64	1.02

Source: Own Survey 2017

The highest average number of respondents ($\bar{x} = 3.8$) are committed to the mission and vision of the institution and love their work and are motivated to complete the tasks that are assigned to their always, while the minimum number respondents in average ($\bar{x} = 2.61$) are happy with their current salary.

There exists greater variability on the respondents ($S = 1.20$) at the institution due to their performance level has direct effect on their current salary level, while the minimum variability of

the respondents is existed to the statement “they are always committed to the mission and vision of the institution” having standard deviation ($S = 0.91$).

31.8% the respondents enjoyed with their tasks and division of work approach and 4.7% strongly disagreed. All most half of the respondents 45.9% agreed about their commitment to the mission and vision of their institution. 43.5% of the respondents love their work and are motivated to complete the tasks that are assigned always to their and 24.7% of them strongly agreed with this. The same percentage of the respondents 28.2% agreed and disagreed to the item about “their co-operation well with their colleagues of different ethnic backgrounds”. 34.1% of the respondents agreed that at work, their performance level has direct effect on their salary level, while 23.5% of them disagreed with that statement. 36.5% of the respondents are not happy with their current salary and only a few numbers of respondents 4.7% are happy with their current salary. 29.4% of the employees are not given a chance to apply their own method of doing their work while 30.6% of them are neither agreed nor disagreed. 34.1% of the employees improved their work performance due to the training given by the institution while only 4.7% of them cannot improve their work performance due to the training given by the institution. Employees with higher educational qualifications cannot perform better than those with lower qualification as 34.7% of them agreed with the statement but 32.67% of the employees say that employees with higher educational qualifications cannot perform better than those with lower qualification. Finally, 36.5% of the respondents accepted that good employee work performance is important for the future growth of the institution but there is no any employees strongly disagreed with this statement.

4.3 Relationship between diversity and performance

4.3.1 Correlation Analysis

Here, researcher present the correlation analysis of the heterogeneous factors investigated with the measures employee performance. The value of the correlation provides information both about the nature and the strength of the relationship. Pearson’s correlation coefficient (R^2) measures the strength of the linear relationship between two continuous variables, indicate the direction, strength and significant of the bivariate relationship among all the variables that were

measured (i.e. gender, ethnicity, and education background). The following table shows these relationships.

Table 4.12 : Correlations of Diversity Predictors with Employee Performance

		Ethnic Diversity	Gender Diversity	Educational Diversity	Employee performance
Ethnic Diversity	Pearson Correlation	1	.291**	.047	.377**
Gender Diversity	Pearson Correlation	.291**	1	.101	.401**
Educational Diversity	Pearson Correlation	.047	.101	1	.132
** . Correlation is significant at the 0.01 level (2-tailed).					

The above table 4.12 indicates clearly among the variables (i.e. diversity predictors) there exist positive correlation between them i.e. as the value of one variable increases or decreases the other variable will also increase or decreases at the same direction since the value of the Pearson’s correlation coefficient (R^2) is between greater than 0 and less or equal to 1. Clearly among all the variables gender has high positive correlation with other variables as well as all the diversity predictors have positive correlation with employee performance.

The relationship between ethnic diversity and gender diversity with employee performance is significant because their p-value 0.000 is less than alpha value 0.01 but the relationship between educational diversity and employee performance is not significant because its p-value 0.228 is greater than alpha value 0.01.

4.3.2 Analysis of Variance (ANOVA)

This section provides an F test for the statistical model. If this F is significant, it indicates that the model as a whole that is, all independent variables as a whole (Educational Diversity, Ethnic

Diversity, and Gender Diversity) combined predicts significantly more variability in the dependant variable (Employee Performance) compared to a null model that only has an intercept parameter.

Table 4. 13 : Analysis of Variance (ANOVA)^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9.961	3	3.320	8.662	.000 ^b
	Residual	31.051	81	.383		
	Total	41.012	84			

a. Dependent Variable: Employee performance

b. Predictors: (Constant), Educational Diversity, Ethnic Diversity, Gender Diversity

From the above ANOVA statistics in Table 4.13, the study established the regression model had a significance level of 0.000 which is an indication that the data was ideal for making a conclusion on the population parameters as the value of significance (p-value) was less than 0.05 or 5%. The calculated value was greater than the critical value ($8.662 > 2.717$) an indication that Educational Diversity, Ethnic Diversity, and Gender Diversity all affect employee performance. The significance value was less than 0.05 indicating that the model was significant.

4.3.3 Multiple Linear Regression Analysis

The study used multiple linear regression analysis so as to establish the mathematical model showing how the independent variables and dependent variable that is employee performance are interrelated at Addis Credit and Saving Institution (ADCSI). Adjusted R squared is coefficient of determination which tells us the variation in the dependent variable due to changes in the independent variable.

Table 4. 14. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.493 ^a	.243	.215	.61915

a. Predictors: (Constant), Educational Diversity, Ethnic Diversity, Gender Diversity

b. Dependent Variable: Employee performance

The value of adjusted R squared as a measure of model fitted by the significant variables was 0.215 an indication that there was variation of 21.5 percent on employee performance due to changes in Ethnic Diversity and Gender Diversity at 95 percent confidence interval. This shows that 21.5 percent changes in employee performance in Addis Credit and Saving Institution (ADCSI) could be accounted to Ethnic Diversity and Gender Diversity. R is the correlation coefficient which shows the relationship between the study variables, from the findings shown in the Table 4.14 is notable that there exists moderate positive relationship between the study variables as shown by 0.493. Besides that, the coefficient of determination (R square) can help us in explaining variance. The R square figure of the three independent variables is 0.243. These also mean that independent variables (Educational Diversity, Ethnic Diversity, and Gender Diversity) can explain 24.3% of the variation in dependent variable (employee performance). However, it is still leaves 75.7% (100% - 24.3%) unexplained in this research. In other words, there are other additional variables that are important in explaining employee performance that have not been considered in this research.

The following table 4.15 shows the regression coefficients of the independent variables (diversity predictors).

Table 4.15 : Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	1.521	.397		3.831	.000
	Ethnic Diversity	.225	.080	.283	2.802	.006
	Gender Diversity	.271	.089	.310	3.055	.003
	Educational Diversity	.076	.085	.088	.901	.370

a. Dependent Variable: Employee performance

The findings revealed that ethnic diversity, gender diversity, and educational diversity to a constant zero, employee performance in Addis Credit and Saving Institution (ADCSI) would be at 1.521, at one percent change in ethnic diversity would lead to increase employee performance in Addis Credit and Saving Institution (ADCSI) by a variations of 0.225%, at a one percent increase in gender diversity would increase employee performance in Addis Credit and Saving Institution

(ADCSI) by a variations of 0.271%, and a at one percent change in educational diversity would increase employee performance in Addis Credit and Saving Institution by a variations of 0.076%.

Further, the study established that both the variables ethnic diversity and gender diversity were significant as their significant value was less than ($p < 0.05$) but not educational diversity since its p-value is greater than 0.05. At 5% level of significance, ethnic diversity had a p-value of 0.006; gender diversity had a p-value of 0.003 and educational diversity had a p-value of 0.370. Therefore, the most significant factor is gender diversity.

Finally, from the data in Table 4.15, the study established the fitted regression equation:

$$\hat{Y} = 1.521 + 0.225 X_1 + 0.271 X_2$$

Therefore,

Employee performance in Addis Credit and Saving Institution (ADCSI) = 1.521 + (0.225 x Ethnic Diversity) + (0.271 x Gender Diversity).

From the results of this study, Gender diversity contributed more to the Employee performance in Addis Credit and Saving Institution (ADCSI).

4.4 Hypothesis testing and discussion

Table 4.16 Summary of the Result of research Hypotheses

Hypothesis	Accepted / Supported	Rejected / Not Supported
There is significant relationship between gender diversity and employee performance.	correlation coefficient = 0.401 p-value = 0.000 < 0.01	
There is significant relationship between ethnic diversity and employee performance.	correlation coefficient = 0.377 p-value = 0.000 < 0.01	
There is no significant relationship between educational diversity and employee performance.		correlation coefficient = 0.132 p-value = 0.228 > 0.01

Source: Developed for research

H₁: There is significant relationship between gender diversity and employee performance.

Based on the result, there is significant positive relationship between gender diversity and employee performance which carries correlation coefficient value of 0.401 and p-value of 0.000 which is significant at the alpha value 0.01.

The finding in this research showed that gender group and employee performance is positively linked. Based on the information provided in the research the overall feeling is that, for the most part, gender was not an area of concern. All divisions of the company must meet annual targets for the representation of majority and minority males and females in each employee grade level (Kochan, Bezrukova and Ely, 2002)

H₁: There is significant relationship between ethnicity group and employee performance.

Based on the result, there is significant positive relationship between ethnicity group and employee performance which carries correlation coefficient value of 0.377 and p-value of 0.000 which is significant at the alpha value 0.01.

When examined the role of ethnic diversity, researcher found a slightly different pattern. However, there is a significant moderating effect of company ethnic demography. Ethnically diverse teams working in relatively homogeneous organizations experienced performance deficits relative to the more homogeneous teams (Joshi and Jackson, 2003). Furthermore, the performance deficit was not evident for ethnically diverse teams working in ethnically diverse organizations. Given the nature of the tasks performed by these teams, this finding is consistent with reserch predictions.

In ethnically homogeneous organizations, the ethnic differences among members of diverse teams become more salient and are more likely to interfere with performance. In ethnically heterogeneous organizations, however, the ethnic identities of team members may be less salient and therefore they create less disruption (Joshi and Jackson, 2003).

H₀: There is no significant relationship between education background diversity and employee performance.

Based on the result, there is no significant positive relationship between education background group and employee performance which carries correlation coefficient value of 0.132 and p-value of 0.228 which is greater than the alpha value 0.01.

Different education types, or a more balance in the education types a firm possesses would increase the likelihood of having an innovation. There is a bias in the education diversity measure, since it measures diversity within the highly educated group, meaning the employees with a bachelor degree or higher. All employees with a degree below bachelor are put in a single category. According to the Ostergaard (2002), as a result a higher entropy value can be explained by having a larger share of employees with a higher education and multiple types of higher educated people. Having a higher educated employee alone would be positive for innovation performance, having more different types would increase the likelihood. (Ostergaard, 2002).

Firms with a higher share of employees with a higher education and diversity in the types of educations have a higher likelihood of innovating.

Although education is essential to human capital, on job training, health care, experience and migration also have great effect on the actual human capital. Growth-oriented strategies moderated the effects of group diversity in level of education on composite bonuses; this type of diversity was more beneficial in department with a strong focus on growth oriented strategies Bezrukova, (2004). An organization may make an effort to compensate for educational or skill deficiencies of group members by offering specialized training that brings employees up to the required standards (Moskos and Butler, 1996)

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the discussion of the research findings. The descriptive analysis presented in previous chapter is summarized. In addition, the recommendations of the researcher are included. The last section of this chapter gives the overall conclusion of the entire research project.

5.2 Summary of Descriptive Analysis

This is aimed at giving the conclusions regarding the characteristics of the population based on the sample data and the analysis done. This section gives a summary of the effect of each tested variable on work performance based on the analysis in the previous chapter.

5.2.1 Gender Diversity and Employee Work Performance

From the analysis it became evident that gender diversity was well encouraged. A performance criterion for success at work was equally expected to be higher for female as well as for male employees. It was evident from the research that there was no discrimination during hiring and recruitment process on gender basis at the ADCSI. It also became apparent that ADCSI attracted and hired women prodigiously and that employees were given fair treatment throughout, whether male or female. The researcher observed that at the ADCSI, women were given opportunity to work in positions that utilized their skills, education and training. Kundu (2003) stated that hiring women helps an organization tap niche in the market. However, it was evident that being a man or woman did not encourage or discouraged one on performance. Based on the result from table 4.12, there is significant positive relationship between gender diversity and employee performance which carries correlation coefficient value of 0.401 and p-value of 0.000 which is significant at the alpha value 0.01. The finding in this research showed that gender diversity and employee performance is positively linked. Based on the information provided in the research the overall feeling is that gender diversity is the most important area of concern in

which the finding is supported the same as Kochan, et. al, (2002), which says that providing an equal job opportunity to women is vital to improve performance of employees in an organization.

All divisions of the company must meet annual targets for the representation of majority and minority males and females in each employee grade level. Kochan, et. al, (2002).

In order to enforce the employee performance described above performance appraisals employees included measures employee's ability to achieve the targets. According to the Kochan, Bezrukova and Ely (2002), the performance appraisals were used for making promotion and compensation related decisions. Training practices included intensive diversity training. Trainers used behavioral modeling techniques to help develop managerial capabilities for interacting with subordinates and colleagues irrespective of demographic differences. Thus the training efforts focused more on skill-building than on building awareness or modifying attitudes. Furthermore, according to the research revealed that the proportions of male/female were not equally distributed across the four educational level meaning that the below diploma and diploma educational levels tended to females, and the first degree educational level tended to male employees. Although, 56% of the employees in Addis Credit and saving Institution are females as compared to male employees.

5.2.2 Ethnic Diversity and Employee Work Performance

From the research findings, it was evident that ethnicity had significant effect on employees' work performance at the ADCSI. Employees were found to be ethnically diverse. Dahlin (2005) argued that ethnicity is negative since it can create conflict and cliques due to social categorization. There is significant positive relationship between ethnic diversity and employee performance which carries correlation coefficient value of 0.377 and p-value of 0.000 which is significant at the alpha value 0.01. When examined the role of ethnic diversity, the finding is significant moderating effect of organizational ethnic demography when examined objective employee performance. According to Zgourides et. al, (2002), the differences in cultural characteristics were predictive of team scores, which can be interpreted as the advantage of having ethnically different views for team problem solving resulted in increased team performance after the teams learned how to utilize these differences to their benefit.

Ethnically diverse teams working in relatively homogeneous organizations experienced performance deficits relative to the more homogeneous teams. Joshi and Jackson. (2003). Furthermore, the performance deficit was not evident for ethnically diverse teams working in ethnically diverse organizations. Given the nature of the tasks performed by these teams, this finding is consistent with our predictions. In ethnically homogeneous organizations, the ethnic differences among members of diverse teams become more salient and are more likely to interfere with performance. In ethnically heterogeneous organizations, however, the ethnic identities of team members may be less salient and therefore they create less disruption. Joshi and Jackson. (2003).

5.2.3 Educational background Diversity and Employee Work Performance.

It became evident from the results that educational background did not have significant effect on work performance at the ADCSI. During the study, educational background appeared very crucial since it formed the basis of the recruitment plan at the ADCSI. However, low educational qualifications seemed not to lower the esteem of workers since opportunities for growth and advancement existed for all employees regardless of their educational background. From the responses the researcher found out that difference in educational background did not bring conflict among the employees. Tracy (2011) argued that educational background is important to employees and that they cannot perform well without education but that is contrary at the ADCSI.

5.2.4 Employee Work Performance

From the study, it became evident that employees of the ADCSI enjoyed their tasks and that they were fully committed to the mission and vision of the organization. According to the responses, the researcher observed that there was motivation of workers at the ADCSI and that there was full cooperation amongst workers of different ethnic backgrounds. It was also apparent that different gender groups worked well and that there was appreciation of one's performance by members of the opposite gender. Higher number of respondents disagreed that employees with higher educational qualification performed better. Finally, 48.9% of the respondents agreed that good employee work performance was important for the future growth of the ADCSI.

5.3 Recommendations for Future Study

This study could serve as a guideline for future researches at the ADCSI. The focus of this research was on workforce diversity. The results indicated employee performance is significantly affected when the diversity variables of ethnicity and gender are considered at the ADCSI. Diversity is a well-accepted phenomenon at the ADCSI. It is important for the financial institution therefore to realize the need to capitalize on these demographic categories in order to stay ahead of other financial institutions or organizations. Smith (2010) argued that good workforce diversity practices are believed to enhance employee and organizational performance. However, at the ADCSI there seems to be no link between workforce diversity and performance. To fully understand the scenario at the ADCSI, further studies need to be conducted in order to unearth the challenges of employee work performance, with a view to discovering what needs to be done to enable the institution increase efficiency and make better its service delivery to the people.

5.4 Conclusion

The objectives of this study have been fulfilled with positive results for all the tested variables. From the findings, workforce diversity has significant effect towards employee work performance at the ADCSI. There is no discrimination on the basis of ethnicity, gender and educational background. Normally discrimination either directly or indirectly curtails the potential of available talents or underutilizes the employees. The ADCSI has a diverse workforce with a satisfying work environment which is highly socialized. It became clear from the study that low or higher employee work performance is influenced by workforce diversity such as gender and ethnicity at the ADCSI.

Several researches suggest that whether or not diversity has positive or negative effect, depends on different aspects of the organization's strategies, culture and HRM practices. This indicates that diversity may be beneficial under certain conditions and may fail to have any impact in others, Pugh (2008). The following factors are known to affect the effectiveness of workforce diversity: size of organization, age of organization, type of organization and diversity of community surrounding an organization.

References

- Abbas, Qasar & Hameed, Abdul (2010). Gender Discrimination and Its Effect on Employee Performance or Productivity. Paper presented at the Conference of the Euromed Academy of Business, *University of Nicosia, Cyprus*.
- Adler, N. J. (2005). *Cultural Synergy: Managing the Impact of Cultural Diversity*. London: Sage Publications.
- Algahtani, A. (2013). "Diversity in the Corporate Setting." *International Journal of Business and Social Science* 4(14).
- Amaram, D. I. (2007). Cultural diversity: Implications for workplace management. *Journal of Diversity Management*, 2(4), 1-6.
- Amason, A. C. (1996). Distinguishing the effects of functional and Dysfunctional Conflict on Strategic Decision Making: Resolving a Paradox for top Management teams. *Academy of management Journal*, 39, 123-148.
- Armstrong, M. (2003). *A Handbook of Human Resource Management Practice*. 9th Edition. London: Cambrian Printers Ltd.
- Barrington, L. & Troske, K. (2001). *Workforce Diversity and Productivity: An Analysis of Employer-Employee Matched Data* Retrieved Dec 1, 2012 from http://gatton.uky.edu/faculty/troske/working_pap/barrington_troske.pdf.
- Benschop, Y. (2001). Pride, prejudice and performance: Relations between HRM, diversity and performance. *International Journal of Human Resource Management*, 12, 1166-1181.
- Bezrukova, K. (2004). A field study of group diversity, group context, and performance. *Journal of Organizational Behavior*, 25 (6), 703-729.
- Brown, S. L. (2008). *Diversity in the Workplace: A Study of Gender, Race, Age, and Salary Level*. UMI Number: 3297416 by ProQuest Information and Learning Company.
- Brown, U.J., Knouse, S. B., Stewart, J.B. & Beale, R.L. (2009). "The relationship between unit diversity and perceptions of organizational performance in the military". *Journal of Applied Statistics*, 36 (1), 111-120.
- Brooks, F. (2007). Racial diversity on acorn's organizing staff 1970-2000. *Administration in Social Work*, 31(1), 27-48.

- Carrel, M. R (2006). Defining Workforce Diversity Programs and Practices in Organizations: A Longitudinal Study. Labor Law Journal. Spring, 2006.
- Cascio, W. F. (2000). Costing human resources: The financial impact of behavior in organizations (4th ed.). Cincinnati, OH: South-Western.
- Childs, J. (2005). Managing Workforce Diversity at IBM. A Global Human Resource Topic that has Arrived. Human Resource Management 44 (1), 73-77.
- Cilliers, F. (2007). A systems psychodynamic exploration of diversity management: the experiences of the client and the consultant. South African Journal of Labour Relations, 31(2), 32- 50
- Cho, S & Mor Barak, M.E. (2008). Understanding of diversity and inclusion in a perceived homogeneous culture: A study of organization commitment and job performance among Korean employees. Administration in social work, Vol. 32 (4): 100-126.
- Cohen, W. M., & Levinthal, D. A. (2000). Absorptive capacity: A new perspective on learning and innovation., *Administrative Science Quarterly*, 35, 128-152. Cornelius, N. (1999). *HRM A Managerial Perspective*. London: International Thomson.
- Cox, T. H., Lobel, S. A., & McLeod, P. L. (1991). Effects of ethnic group cultural differences on cooperative and competitive behaviour on a group task. Academy of management journal, 34(4), 827-847.
- Cox, T. (1994). Cultural diversity in organizations: Theory, research and practice. California Berrett-Koehler Publisher
- Cox, T. & Blake, S. (1991). Managing cultural diversity: Implications for organizational competitiveness. The Executive, 5 (3), 45-55.
- Cornelius, N. (1999). HRM A Managerial Perspective. London: International Thomson
- Childs, J., et al. (2005). "Workforce diversity: A global HR topic that has arrived." The future of human resource management 64: 110-118.
- Cilliers, F. (2007). A systems psychodynamic exploration of diversity management: the experiences of the client and the consultant. South African Journal of Labor Relations, 31(2), 32- 50
- Cunningham, G. B. (2008). "Creating and sustaining gender diversity in sport organizations." Sex Roles 58(1-2): 136-145.
- Dahlin, K., Weingart, L. & Hinds, P. (2005). Team diversity and information use. The

- Academy of Management Journal 48 (6), 1107–1123.
- Dahm, Molly, J. (2003). The Development of a Needs Analysis Instrument for Cultural Diversity Training: WDQ-II. *UMI Microform 3081485 by ProQuest Information and Learning Company.*
- Daniel C.H. (2009). The effects of higher education policy on the location decision of individuals: Evidence from Florida's Bright Futures Scholarship Program. *Regional Science and Urban Economics*, 39, 553-562.
- De Dreu, C. K. W., and Van de Vliert, E. (Eds) (1997). *Using Conflict in Organizations*, Sage, London.
- Dombai, C. & Verwey, S. (1999). The impact of organizational culture as a context of interpersonal meaning on the management of organizational diversity. *Journal of Communicate*, 18 (2), 104-130.
- Dee, T.S. (2004). Are there civic returns to education? *Journal of Public Economics*, 88(9–10), 1697–1720
- De Armond, S., Tye, M., Chen, P. Y., Krauss, A., Rogers, D. & Sintek, E. (2006). Age and gender stereotypes: New challenges in a changing workplace and workforce. *Journal of Applied Social Psychology*, 36 (9), 2184-2214.
- Dreachslin, J.L. (1996). *Diversity Leadership*. Health Administration Press, Chicago.
- Eduard, B. (2010). Overcoming an Inferiority Complex- People Skills Decoded. *Retrieved*, www.peopleskillsdecoded.com/inferiority-complex.
- Erasmus, L. (2007). The Management of Workforce Diversity and the Implications for Leadership at Financial Asset Services. *Business Management, University of Johannesburg*.
- Eugene, C., Lee, K., Tan, S., Tee, S. & Yang, P. (2011). Effects of Workforce Diversity on Employee Performance. ROI, eprints.utar.edu.my/450/1/BA-2011-0807009.pdf.
- Friedman, R. A., Tidd, S. T., Currall, S. C., Tsai, J.C. (2000). What goes around comes around: the impact of personal conflict styles on work conflict and stress. *International Journal of Conflict Management*, 11, 32-55.
- Frink, D. D., et al. (2003). "Gender Demography and Organization Performance A Two-

- Study Investigation With Convergence." *Group & Organization Management* 28(1): 127-147.
- Gallego-Álvarez, I., García-Sánchez, I. M. & Rodríguez-Dominguez, L. (2010). The influence of gender diversity on corporate performance. *Revista de Contabilidad-Spanish Accounting Review*, 13 (1), 53-88.
- Gelner, C. & Stephen, V. (2009). The Impact of Aging and Age Diversity on Company Performance. *Academy of Management Executive*. 14 (1), 93-105.
- Hasan, A., Muhammad, A. K., Imran A. (2009). Linkage between Employee"s Performance and Relationship Conflict in Banking Scenario. *International Journal of Business Management*,4(7).
- Herdman, A. O. & McMillan-Capehart, A. (2010). Establishing a diversity program is not enough: Exploring the determinants of diversity climate. *Journal of Business Psychology*, 25 (1), 39-53.
- Herring, C. (2005). Does Diversity Pay? Racial Composition of Firms and the Business Case for Diversity.
Retrieved May 20, 2011 from
[http://www.genderprinciples.org/resource_files/Does Diversity Pay Racial Composition of Firms and The Business Case for Diversity.pdf](http://www.genderprinciples.org/resource_files/Does_Diversity_Pay_Racial_Composition_of_Firms_and_The_Business_Case_for_Diversity.pdf).
- Horwitz, S. (2005). The Compositional Impact of Team Diversity on Performance: Theoretical Considerations. http://www.researchgate.net/journal/15526712_Human_Resource_Development_Review.
- Hostager, T. J., & De Meuse, K. P. (2002). Assessing the complexity of diversity perceptions: breadth, depth, and balance. *Journal of Business and Psychology*, 17(2), 189-206.
- Inmyxai, S. & Takahashi Y. (2010). Performance Comparison Derived from Human Resources between Male and Female Headed Firms in the Lao MSMEs. *International Review of Business Research Papers*, 6(2), 12-38.
- Jayne, M. E. A. & Dipboye, R. L. (2004). Leveraging Diversity to Improve Business Performance Research Findings and Recommendations for Organizations. *Human Resource Management*, Winter 2004, 43(4), 409-424.
- Jackson, S. E. & Joshi, A. (2004). Diversity in social context: A multilevel analysis of team diversity and sales performance. *Journal of Organizational Behavior*, 25, 675-702.

- Janse Van Rensburg, K. & Roodt, G. (2005). The perceptions of employment equity and black Economic empowerment as predictors of union commitment. *South African Journal of Industrial Psychology*, 31 (1), 55-64
- Janse van Rensburg, K. & Roodt, G. (2005). The perceptions of Employment Equity and black economic empowerment as predictors of organization-related commitment. *South African Journal of Human Resource Management*, 3 (3), 49-60.
- Janssens, M., Sels, L., & van den Brande, I. (2003). Multiple Types of Psychological Contracts. *A Six Cluster Solution', Human Relations*, 56, 1349–1378.
- Joshi, A., & E. Jackson, S. (2003). Managing workforce diversity to enhance cooperation in organization. *International Handbook of Organizational Teamwork and Cooperative Working*.
- Jehn, K. A., & Bezrukova, K. (2004). A field study of group diversity: Workgroup context and performance. *Journal of Organizational Behavior*, 25(6), 703- 729.
- Joshi, A., & E. Jackson, S. (2003). Managing workforce diversity to enhance cooperation in organization. *International Handbook of Organizational Teamwork and Cooperative Working*.
- Kamps, J. & Engelbrecht, A. (2011). The influence of emotional intelligence on diversity complexity cognition and the attitude towards diversity. *South African Journal of Business Management*, 42 (3), 37-48.
- Kernahan, C. & Davis, T. (2007). Changing perspective: how learning about racism influencing student awareness and emotion, *Journal of Teaching Psychology*, 34(1), 49-52
- Kirby, S.L. & Richards, O. C. (2000). Impact of marketing workplace diversity on employee job involvement and organizational commitment. *Journal of Social Psychology*, 140 (3), 367-377.
- Kiglai. (2006). *Training Manual on Conflict Management*, The National Unity and Reconciliation Commission, Republic of Rumanda.
- Knight, D., Pearce, C. L., Smith, K. G., Olian, J. D., Sims, H. P., & Smith, K.A. (2009). Top management team diversity, group process, and strategic consensus. I, 20, *Strategic Management Journal*, 1 (20), 445-465.
- Kochan, T., Bezrukova, K., & Ely, R. (2002). Society for Human Resource Management. *The*

Effects of Diversity on Business Performance, 15-30.

- Kochan, T., Bezrukova, K., Ely, R., Jackson, S., Joshi, A., Jehn, K., Leonard, J., Levine, & Thomas (2003). The Effects of Diversity on Business Performance: Report of the Diversity Research Network. *Human Resource Management, Spring 2003, 42(1), 3-21.*
- Kossek, E., Lobel, S. A. & Brown, J. (2005). Human Resource Strategies to Manage Workforce Diversity Examining „The Business Case“. Retrieved Dec 3, 2012 from http://www.sagepub.com/upm-data/7425_03_Konrad_02.pdf
- Kossek, E.E., Lobel, S.A., and Brown, A.J. (2005), 'Human Resource Strategies to Manage Workforce Diversity,' in *Handbook of Workplace Diversity*, eds. A.M. Konrad, P. Prasad and J.M. Pringle, Thousand Oaks, CA: Sage, pp. 54–74.
- Kulik, C. T. and L. Roberson (2008). "Common goals and golden opportunities: Evaluations of diversity education in academic and organizational settings." *Academy of Management Learning & Education* 7(3): 309-331.
- Kundu, S. C. (2003). Workforce Diversity Status: A Study of Employees" Reactions, *Industrial Management & Data Systems*, 103 (4), 215 – 226.
- Kunze, F., Boehm, S., & Bruch H. (2009). Age Diversity, Age Discrimination, and Performance Consequences – A Cross Organizational Study
- Latham, G, P, & Locke, E, A. (2006). Enhancing the Benefits and Overcoming the Pitfalls of Goal Setting. *Organizational Dynamics*,35, 332-340.
- Lee, Y. (2011). Report: Firm must do more to retain keep women staff [Electronic version]. TheStarRetrievedMay29,2011,from<http://www.thestar.com.my/news/story.asp?sec=nation&file=/2011/3/8/nation/8210968>Leonard, J. S., Levine (2003). Diversity, Discrimination and Performance. (p40). California: Institute for Research on Labor and Employment, UC Berkeley.
- Mack, R. W. (1965). The Components of Social Conflict. *Social Problems*, 22(4), 388-397.
- Madiha, A., Niazi, M., & Abbasi, R. (2003). Workforce diversity. *ROI*, www.slideshare.net/leomaryslideshare/workforce-diversityppt-2003.
- Makokolo, M. (2005). *A report on Minority indigenous peoples and ethnic diversity in Kenya*. London: Minority Rights Group International.
- McMillan-Capehart, A. (2006). "Heterogeneity or Homogeneity." *Performance Improvement Quarterly* 19(1): 83-98.

- McMillan-Capehart, A. (2003). Cultural diversity's impact on firm performance: The moderating influence of diversity initiatives and socialization tactics. *Unpublished doctoral dissertation, Louisiana Tech University, USA.*
- McGrath, J.E., Berdahl, J.L., Arrow, H. (1995). *Traits, Expectations, Culture and Clout: The Dynamics of Diversity in Workgroups.* Washington D.C, : American Psychological Association.
- Mfene, P. N. (2010). Enhancing supervisor and subordinate communication in diversity management. *Africa Insight*, 40(2), 141-152.
- Michele. E. A., Jayne, Dipboye. R. L. (2004). Leveraging Diversity to Improve Business Performance: Research Findings and Recommendations for Organizations. *Wiley InterScience*, 43(4).
- Moskos, C. C. (1996). *Black leadership and racial integration the Army way.* New York: Basic Book
- Nkomo, S. (1995). *Identities and the Complexity of Diversity in Work Teams.* Washington DC: American Psychological Association. Opstal, E. (2009). Management Diversity. *The relationship between the Management of ethnic cultural*, 25-46.
- Ostergaard, C. R., et al. (2011). "Does a different view create something new? The effect of employee diversity on innovation." *Research Policy* 40(3): 500-509.
- Passos M. A. & Caetano A. (2005). Exploring the effects of intragroup conflict and past performance feedback on team effectiveness. *Journal of Managerial Psychology*, 20 (3/4), 231-244.
- Pitts, D. W., Hicklin, A. K., Hawes, D. P., & Melton, E. (2010). What Drives the Implementation of Diversity Management Programs? Evidence from Public Organizations. *Journal of Public Administration Research & Theory*, 20(4), 867-886.
- Roberson, L. & Kulik, C.T. (2007). Stereotype threat at work. *Academy of Management Perspectives*, 21, 24-40.
- Robbins, S.T. & Judge, T.A. (2007). *Organizational behaviour.* 12th ed. New Jersey: Prentice Hall.
- Rue, L.W., & Byars, L.L. (1993). *Supervision: Key Link to Productivity*, (4th Ed). Chicago: Irwin.

- Sipe, S., Johnson, C.D. & Fisher, D.K. (2009). University Students' Perceptions of Gender Discrimination in the Workplace: Reality Versus Fiction. *Journal of Education for Business*, 28, 339-349.
- Schuler, R. (1992). Strategic Human Resource Management Linking the People with the Strategic Needs of the Business. *Organizational Dynamics*, Summer, 18-31.
- Simons, T. L., Peterson, R. S. (2000). Task conflict and relationship conflict in top management teams: the pivotal role of intragroup trust. *Journal of Applied Psychology*, Vol. 85, pp.102-111.
- Srivastava, E. & Agarwal, N. (2012). The Emerging Challenges in HRM. *International Journal of Scientific & Technology Research*, 1(6), 46-48.
- Smith, P. (2010). Increasing Productivity: Workforce Training and Development. The Bleaner.
- Stockdale, M. S. & Crosby, F.J. (2004). The Psychology and Management of Workplace Diversity. *Journal of Sport Management*, 19 (1), 523-525.
- Sungjoo, L. (2010). Open innovation in SMEs—An intermediated network model. ROI, <http://www.sciencedirect.com/science/article/pii/S0048733309002248>
- Syed, J. (2009) contextualizing diversity management in M. Ozbiligin (Ed.) Equality, Diversity and inclusion at work: A research Companion, PP.101-111. Cheltenham & New York: Edward Elgar.
- Timmermans, B., Ostergaard, C. R., & Kristinsson, K. (2011). Does a different view create something new? The effect of employee diversity on innovation. *Research Policy*, 500-509.
- Tracy R. L. & David E. M. (2011). Choosing workers' qualifications: No experience necessary? *International Economic Review*, 34(3), 479-502.
- Uys, I. (2003). Diversity management: reasons and challenges. *Politeia*, 22 (3), 30-48.
- Van Knippenberg, D., De Dreu, C. K. W., & Homan, A. C. (2004). Work group diversity and group performance: An integrative model and research agenda. *Journal of Applied Psychology*, 89, 1008-1022.
- Van Esbroek, W., & van Engen. M.L. van (2008). Management van Diversiteiten Rechtvaardigheid: Op zoek naar een „Beste benadering“. *Tijdschrift voor HRM*, 63-90.
- Williams, K.Y (1992). Demography and Diversity in Organizations.

Van Zyl, B & Roodt, G. (2003). Female perceptions on employment equity: is the glass ceiling cracking? *South African Journal of Human Resource Management* 1(2), 13-20.

Zeng, H., Zhou, X. and Han, J. L. (2009). Employee engagement and personal performance in hotel service industry of China.

Zgourides, G. D., Johnson, L., & Watson, W. E. (2002). The influence of ethnic diversity on leadership, group process, and performance: an examination of learning teams, 2-8.

APPENDICES

APPENDIX A: LETTER TO RESPONDENTS

Date: _____

MBA STUDENT

ID NO: MBA/2238/2008

Department of Business and information Studies

Addis Ababa University, School of Commerce

To Respondent,

Dear Sir/Madam

RE: RESEARCH QUESTIONNAIRE

I am a student of MBA- Human Resource Management at AAU. In partial fulfillment of the course, I am required to carry out a Research Project.

The subject of my research is the Effect of Workforce Diversity on Employee Performance: A case study of Addis Credit and Saving Institution (ADCSI).

You have been selected to participate in this study as a respondent. The information you provide shall be treated entirely for academic purposes and shall be held with high confidentiality.

Your cooperation shall be highly appreciated.

Yours sincerely,

Saron Eshetu

APPENDICES

APPENDIX B: QUESTIONNAIRE

This questionnaire consists of five sections. The respondent will be required to answer six questions in section one of the questionnaire on his/her background. All the items in sections B-E require responses ranging from strongly agree to strongly disagree. The respondent is expected to tick (√) whichever is appropriate with his or her opinion.

SECTION A: Demographic Profile

1. Gender

Male ()

Female ()

2. What is your age bracket?

18-30 years ()

31- 40 years ()

41- 50 years ()

51- 60 years ()

3. How long have you served at the ADCSI?

0- 5 years ()

6 - 10 years ()

11- 15 years ()

Over 15 years ()

5. Ethnicity (please specify your ethnic group)

Oromo		SNNPR		Harere	
Amara		Somali		Other	
Tigray		Afar			

5. Education Level accomplished:

Below diploma 10+3 ()

Diploma 10+3 ()

1st Degree ()

2nd Degree and above ()

6. Branch

Head office ()

Kirkose District ()

SECTION B

1=Strongly disagree, 2=disagree, 3= Neutral 4= Agree, 5=Strongly Agree

Attribute on Ethnic Background

	Item	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
1	Addis Credit and Saving institution attracts and hires employees from all ethnic background					
2	Opportunities for growth and advancement exist for all ethnic groups					

3	The ethnic diversity in our team promoted free flow of information between ethnic groups					
4	Different languages used to communicate create problems among employee.					
5	The ethnic diversity in our team helped to expedite the completion of our task on time					
6	The ethnic differences in work groups do not encourage conflict.					
7	I am positive about ethnic diversity at the ADCSI					

SECTION C

Attribute on Gender

1=Strongly disagree, 2=Disagree, 3= Neutral 4= Agree, 5= Strongly Agree

	Item	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
1	Employees are not discriminated during hiring and recruitment process on gender basis					
2	ADCSI does a good job of attracting and hiring women					
3	At ADCSI fair treatment is given to all employees whether male or female.					
4	The transformational leadership style of the female employee contributed to the success of the team.					

5	Gender diverse team showed better problem solving and decision making skills than gender homogenies teams.					
6	A career development that includes women is encouraged at the ADCSI					
7	Training and development program is structured to meet the criteria/ requirement of male and female gender.					
8	Gender diverse teams achieved target due to the good relationship and effective communication					
9	I am positive about gender diversity at the ADCSI					

SECTION D

Attribute on Educational Background

1=Strongly disagree, 2=Disagree, 3= Neutral 4= Agree, 5=Strongly agree

	Item	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
1	The recruitment plan of the ADCSI is based on the educational background of applicants					
2	ADCSI provides paid study leave to employees who further their education					
3	At the ADCSI, opportunities for growth and advancement exist for employees who have low educational qualifications.					

4	At the ADCSI differences in educational background do not bring conflict among employee					
5	As an employee of ADCSI, I experience lack of confidence due to my educational background.					
6	ADCSI gives equal treatment when it comes to educational background.					

SECTION E

Attribute on Employee Work Performance

1=Strongly disagree, 2=Disagree, 3= Neutral 4= Agree, 5 =Strongly agree

	Item	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
1	At the ADCSI, I enjoy my tasks and the division of work approach.					
2	I am always committed to the mission and vision of the ADCSI					
3	I love my work and I am motivated to complete the tasks that are assigned to me always					
4	I co-operate well with my colleagues of different ethnic backgrounds.					
5	My performance level has effect on my salary level.					
6	You are satisfied regarding your associate works					

7	At the ADCSI employees are given a chance to apply their own methods of doing their work.					
8	Training given by the company encourage me to work better					
9	At ADCSI employees with higher educational qualifications perform better than those with lower qualification.					
10	Good employee work performance is important for the future growth of the ADCSI					