The Impact of Workforce Diversity on Organizational Performance in Beverage Industry of Pakistan: Moderating Role of Organizational Culture

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Abstract:
Workforce diversity is combining together similarities and differences in terms of age, cultural background, abilities & disabilities, gender, religion and not finally the sexual orientation. As we know that no two humans are alike, people are different from one another in all respects. Diversity bring heterogeneity in the workforce, presently a diversified workforce is a very necessary component for every organization but truly managing such workforce is also a bold challenge for the management of any such organization. This thesis analyses critically such diversified workforce and its impact on the competitiveness or success of the organization. After examining the literature and various papers, I concluded that such diversified workforce is really a great strength for the beverage manufacturing organizations and the productivity of these organizations can increase manifold if this aspect is managed properly. Finally the results show that workforce diversity plays an important effective role in these manufacturing companies. Most probably, inadequate training and guideline could bring a company low productivity. For this reason, regular improvement in ways or means must be in place to manage a diversified workforce as the economy or worlds keeps growing.

Keyword: Organizational culture, Organization, Workforce, Diversity, Organizational Productivity

1.0 Introduction:

World and people are changing with passage of time so as norms and traditions. Human resource capital is a step from where company can get its competitive human resource to cope up with this changing era (Bozhko, 2012). People demographics are different in organizations that are called diversity. In broader sense diversity can be termed as managing the difference of people in both moral and legal perspective. Diversity can be easily traced back to 1948, with the passage of time and development through different sociopolitical legislation of the time; we are observing the present form of workforce diversity (McCormick, 2007).

In the early years of 90’s organizational performance was initiated although, however it can be traced back to 1950, at that time this concept was not accepted by the people of manager level so easily but, gradually this concept made its way in the organizational study prominently. For developing economies of the world the organizational performance is considered a key determinant for the evaluation of success of the business concerns. A continuous effort has been made since long to prove the performance evaluation in business in all respects. Performance is the only indicator that determines the growth and prosperity of the organization. Organizational performance is defined by many people of their respective times differently (Stegerean, 2011).

In the organizational life, every organization has different core values that help them to exploit the available opportunities in the business environment by mitigating the weaknesses of the organization and transforming the different resources competitively to capture the opportunities. Among these core values in the present life of mordent era, diversity issue is majorly needed to be address to enhance the organizational performance through capturing the best talent through ideas and innovation of today’s diverse workforce. Workforce diversity management is very crucial for organizations as it has impact on organizational performance in both ways positive as well as negative. Better workforce management leads to the better results, motivated employees, early achievement of time bounded objectives and other stakeholders expectations as well.

2.0 Literature
Krober (1952) two American anthropologists collected approximately 164 definition for the word culture in their review of concepts and definition of culture. Some writers emphasis on the sociological notion for the term and categorized in their work. Some other had also offered three categories of culture including “Social”, Documentary and Ideal definitions.

In the early period of time in 18th century, organizational performance can be defined as “the extent to which organizations, viewed as a social system fulfilled their objectives.” This is one of the definitions evolved over time. Performance evaluation during this time was focused on organizational constituencies or divisions, people and finally the work achieved or done. For the development of nations, organizations have an important role to play in the life of all of us and are considered as an important part of the development. Many researchers consider organizations similar to an engine in determining the progress in many perspectives, this was the reason that noble prizes were awarded to the researchers who had focused on the analysis of the organizations. Continues performance is the only measure that enables us and organizations to grow and progress. This is one of the reasons that organizational performance is considered as an important indicator for growth and success in the organizational life. Later in 80s to 90s performance was realized by the identification of organizational objectives that were getting more or less complex. As the managers began to evaluate that organization is successful if it achieve or accomplish its goals within time using minimum of available resources at hand to them. Thus we may characterize the organizational performance as the achievement of organizational objectives based on the limitations constraints imposed due to lack of or limitation of resources (Stegerean, 2011).

Workforce diversity has become the most widely debated topic in all the business, corporate, political and legal forums. Although the diversity management has proven itself a top priority question in the present times, we can understand and predict the dynamics of diversity if we consider the history of diversity management regarding the interest in the diverse workforce and alike organizations (Evans, 2007). Workforce diversity has direct and established relationship with organizational performance, according to previous studies. In this paper, previous literature has been included based on different forms of diversity which includes workforce diversity based on ethnic difference, age difference and gender differences. In the following, heading would be used to look into the relationship between workforce diversity and organizational performance. As it has been noted in the gap analysis above that impact of workforce diversity on organizational performance is worth to be explored further because there are mixed results of the relationship.

When the term diversity is used there is more tendencies of ethnic differences in workforce, that’s why ethnic form of diversity is important to know its effects on organizational performance. Alseina and La Ferrara (2005) have stated that ethnic diversity is based on differences of religion, race, culture and language between people in an environment. Umans T. (2011) find that ethnicity increases in 1990’s and since then, it has been increasing with the passage of time. This increase in diversity resulted in increase in workforce belongs to different cultures. This multi-cultural workforce is used to make better and increased business performance and employees satisfaction. Increase in workforce diversity is increased with the increase in diversity in the society. This is the reason why ethnic diversity directly and inevitably related with modern day diverse society. Sander Hoogendroon and Mirjam Van Praag (2012) find that lower level of diversity in teams is not reflected in increase in organizational and team performance but in case of majority of team members belong to diverse background then there is positive impact of ethnic diversity on team and organizational performance.

Most recently, effectiveness and performance has been examined in light of culture, according to the Reichers & Schneider (2000), although the writers have dedicated many articles to the definition and nature of culture, in relation to it very few articles have contributed towards the culture and Organizational performance, one of the big reason for such difficulty was to get it operationalizing this culture construct (Jean Lee, 2004)

The world of business is interesting due to its culture, individuals have studied it, writers have written many times on it, managers know who are real time leaders how to rose the culture of an organization to ensure successful business results. In contrast to it there are ample examples that demonstrate that how misleading assumptions about organizational norms can lead to mismanagement and misunderstanding the way changes
occur via flopped projects and huge losses. In the furious journey for a silver shot to comprehend what society lets us know about the way business ought to be directed, there is little civil argument that authoritative worth frameworks have a capable impact (Nyongesa M. j., 2012).

3.0 Methodology

The objective of this study is to know how workforce diversity and organizational culture causes to improve the organizational performance in the beverage related organizations and to make recommendations for their betterment. This portion of the study is to discuss the procedures for collection of data, the study design and the methods to be used in analyzing the data.

The sampling frame for this study will be beverage manufacturing organization in Lahore region which includes Coca Cola, Pepsi, Gourmet cola, Nestle are selected for collection of data because of accessibility, time and cost restrictions. The reason for selection of these organizations is that they are bigger than other beverage manufacturing companies in Pakistan; they are market leader as their products are widely being traded in the country as a whole. People who are in the management all levels, especially middle level managers, people who are involved in support activates also are the unit of analysis

4.0 Results

Table: Reliability statistics of the instrument

<table>
<thead>
<tr>
<th>Sr. no.</th>
<th>Construct</th>
<th>Cronbach’s alpha</th>
<th>N of items</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Workplace Diversity</td>
<td>.705</td>
<td>7</td>
</tr>
<tr>
<td>2</td>
<td>Organizational performance</td>
<td>.796</td>
<td>14</td>
</tr>
<tr>
<td>3</td>
<td>Organizational culture</td>
<td>.855</td>
<td>10</td>
</tr>
<tr>
<td>4</td>
<td>Overall questionnaire</td>
<td>.743</td>
<td>31</td>
</tr>
</tbody>
</table>

Table: Response rate:

<table>
<thead>
<tr>
<th></th>
<th>Responses</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Response</td>
<td>170</td>
<td>16.19%</td>
</tr>
<tr>
<td>Non Response</td>
<td>880</td>
<td>83.80%</td>
</tr>
<tr>
<td>Total Respondents</td>
<td>1050</td>
<td>100%</td>
</tr>
</tbody>
</table>

The above table describes the response rate of the respondents. In total 1050 questionnaire were distributed to the respondents from which only 170 respondents responded to the questionnaire which count for 16.19% of the total respondents. While the 880 respondents not responded to the questionnaire which amounts for 83.80% of the total responses needed for the study.

4.1 Regression Analysis

In statistical study, regression analysis is a process for estimating the relationship between or among variables; it includes many techniques for analyzing several variables, while studying the relationship between a dependent variable and one or more independent variables. Regression analysis includes 8 steps which are normally followed for carrying regression analysis in the following steps. From the menu drop down select Analyze menu bar, find regression from the list appears, click on the Linear from the side bar pop-up box. Simply, put the dependent variable in the dependent block of the new message box and independent variable in
their already mentioned places. Further click on statistics and select the estimates, Model fit, Collinearity Diagnostics and Durbin-Watson test finally, press continue. In addition to it, select Plot Option command, select ZRESID in Y option box and ZPRED in X option box, select histogram and normal probability plot and then press continue, click OK button, output has appeared in the output file.

**H1:** Workforce diversity has positive impact on organizational performance.

### Variables Entered

<table>
<thead>
<tr>
<th>Model</th>
<th>Variables Entered</th>
<th>Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Organizational Culture</td>
<td>Enter</td>
</tr>
<tr>
<td>2</td>
<td>Diversity</td>
<td>Enter</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Organizational performance

Dependent Variable: The above table shows that Organizational Performance is the dependent variable in the regression analysis.

Independent Variable: In this regression analysis Workplace Diversity is being used as an independent variable.

Linear Relationship: The above table shows that Organizational Performance is the dependent variable in the regression analysis. In this regression analysis Workplace Diversity is being used as an independent variable.

By linear relationship we meant that a change either (positive or negative) increase or decrease in the dependent variable will definitely bring change in the value of dependent variable. To understand the linear relationship between the variables we will use the value of R square. If independent variables are more than one, then we will use adjusted R square values in our analysis. If the value of R square is 0.02 or less than it, it explains that there is no linearity between the variables being used in the study, resultantly that variable would not be used in analysis further and this variable needs to be removed from the analysis. Likewise, if the value of R square ranges from 0.02 to 0.03 it means that relationship is week, it indicates that linearity exist so it could be used in the study for further analysis. In the table given below, we can see that 1% change in the independent variable would results in 15.5% impact in the dependent variable. It falls in the range of (0 to 0.40) which means there is weak relationship or strength of the model is weak.

### Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.155</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Diversity

b. Dependent Variable: Organizational performance

By the degree of dependence we mean that how much a dependent variable i.e. Organizational Performance depends upon the independent variable Workplace Diversity. For this reason we would use the value of beta, if there is one variable, then we will use value of standardized beta. If independent variables are more than one than value of unstandardized beta will be used for the results. In the table given below, the value of beta is 0.394 which represents that organizational performance has 39.4% dependency upon the workplace diversity. It explains further that workplace diversity has 39.4% impact on our dependent variable organizational performance. To know the direction of dependence, we observe the value of standardized beta, as we are employing only one independent variable in this study. As shown in the given below table the value of beta is 0.394 it is positive value which presents that direction of dependence is positive. The given value of beta shows that 1% change in the independent variable/workplace diversity changes the dependent variable/organizational performance 39.4% in the same direction accordingly. To check the significance of the dependence of independent variable i.e. workplace diversity the value of sig. is used from the given below table. Either the value of significance would be greater or less than the value of alpha i.e. (0.05) if the value of alpha is 0.05 then the result will be significant and vice-versa.
significance is greater than this value of alpha means there is no significant relationship in dependent and independent variables. In the same sense, if the value of significance is less than the value of alpha i.e. 0.05 it indicates that there is a significant relationship between the dependent and independent variables which are organizational culture and workplace diversity respectively.

As we can see that the value of significance is .000 which is less than the value of level of significance (alpha i.e. 0.05) so there is significant relationship between workplace diversity and organizational performance.

<table>
<thead>
<tr>
<th>Model</th>
<th>Standardized Coefficients</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diversity</td>
<td>.394</td>
<td>.000</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Organizational performance

To check the significance of the model, the value of significance is normally used from the following ANOVA table, if the value of significance is lesser than the value of alpha i.e. 0.05 than our model is significant. As the value of significance is .000 which implies that it is less than the value of alpha 0.05 level of significance, so the model is significant

<table>
<thead>
<tr>
<th>Model</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.000</td>
</tr>
<tr>
<td>Regression</td>
<td></td>
</tr>
<tr>
<td>Residual</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
</tr>
</tbody>
</table>

Decision:
The above analysis shows that the P-value is .000 which is less than value of alpha 0.05 so H1 is not rejected.

**H2:** Organizational culture moderates the relationship between Workplace diversity and Organizational Performance.

**Description for Moderation:**

<table>
<thead>
<tr>
<th>Model</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>30.658</td>
<td>.000</td>
</tr>
<tr>
<td>Regression</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residual</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Organizational performance

<table>
<thead>
<tr>
<th>Model</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>40.331</td>
<td>.000</td>
</tr>
<tr>
<td>Regression</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residual</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Organizational performance

<table>
<thead>
<tr>
<th>Model</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Change Statistics</th>
<th>R Square Change</th>
<th>F Change</th>
<th>Sig. F Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.155</td>
<td>.150</td>
<td>.155</td>
<td>.155</td>
<td>30.658</td>
<td>.000</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Diversity
Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Change Statistics</th>
<th>Change Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>R Square Change</td>
<td>F Change</td>
</tr>
<tr>
<td>1</td>
<td>.195</td>
<td>.190</td>
<td>.195</td>
<td>40.331</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.000</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), moderation impact

Run MATRIX procedure:

******************** PROCESS Procedure for SPSS Release 2.12.1 ***************

Written by Andrew F. Hayes, Ph.D.       www.afhayes.com

********************************************************************************

Model = 1
Y = Organiza
X = Diversit
M = Organiza

Statistical Controls:
CONTROL= Organiza_1

Sample size
169

********************************************************************************

Outcome: Organiza

Model Summary

R       R-square       MSE       F        df1        df2          p
1.0000     1.0000      .0000 1.699E+029     4.0000   164.0000      .0000

Model coef se t        p        LLCI       ULCI
constant  .0000 .0000 -4.7701     .0000     .0000     .0000
Organiza  1.0000 .0000 7.227E+014 .0000     1.0000     1.0000
Diversit  .0000 .0000 .2716 .7863 .0000 .0000
int_1     .0000 .0000 -.7251 .4694 .0000 .0000
Organi_1  .0000 .0000 3.6342 .0004 .0000 .0000

Interactions:

int_1 Diversit X Organiza

********************************************************************************

Conditional effect of X on Y at values of the moderator(s):

Organiza  Effect    se      t       p        LLCI       ULCI
2.7425     .0000 .0000  -2.5334  .0122     .0000     .0000
3.1822     .0000 .0000  -3.2354  .0015     .0000     .0000
3.6219     .0000 .0000  -2.3451  .0202     .0000     .0000

Values for quantitative moderators are the mean and plus/minus one SD from mean.
Values for dichotomous moderators are the two values of the moderator.
Data for visualizing conditional effect of X on Y  
Paste text below into a SPSS syntax window and execute to produce plot.

DATA LIST FREE/Diversity OrganizationalCulture Organizationalperformance.  
BEGIN DATA.  
-.4552 2.7425 2.7425  
.0000 2.7425 2.7425  
.4552 2.7425 2.7425  
-.4552 3.1822 3.1822  
.0000 3.1822 3.1822  
.4552 3.1822 3.1822  
-.4552 3.6219 3.6219  
.0000 3.6219 3.6219  
.4552 3.6219 3.6219  
END DATA.  
GRAPH/SCATTERPLOT=Diversity WITH Organizationalperformance BY OrganizationalCulture.  
* Estimates are based on setting covariates to their sample means.  

****************** ANALYSIS NOTES AND WARNINGS ******************  
Level of confidence for all confidence intervals in output:  
95.00  
NOTE: The following variables were mean centered prior to analysis:  
Diversity  
NOTE: All standard errors for continuous outcome models are based on the HC3 estimator  

RESULT:  
To test the hypothesis that the organizational problems are a function of multiple factors, and more specifically whether organizational culture moderate the relationship between workplace diversity and organizational performance in beverage industry of Pakistan, a hierarchical multiple regression was conducted. In the first step, two variables were included: Workplace Diversity and Organizational Performance. These variables accounted for a significant amount of variance in the Organizational performance problems $R^2 = .155$, $F= 30.658$, $p<.001$. To avoid potentially problematic high multicollinearity with the interaction term, the variable were centered and an interaction term between workplace diversity and Organizational performance was created (Aiken L. W., 1991)  
Next, the interaction term between Workplace Diversity and Organizational performance was added to the regression model, which accounted for a significant proportion of the variance in Organizational Performance problems, $\Delta R^2 = .04$, $\Delta F=40.331$, $p=.000$. Examination of the interaction plot showed an enhancing effect that as Workplace diversity and Organizational culture increased, organizational problems increased. At low diversity, organizational performance problems were similar for organizational culture with low, average and high levels.  
DECISION:  
It is observed that there is a potential moderating effect of organizational culture on the relationship between workplace diversity and organizational performance.  

5.0 Conclusion and Discussion  
No doubt it is clear from the finding of this study that workplace diversity have an impact on the organizational performance as well as it is a major contributing element in the performance of organizations and employees of the organization as well. The current study was conducted on beverage industry of Pakistan to
assess the above designed hypothesis, the result of this study shows that there is a relationship between workplace diversity and organizational performance. Difference research studies have been conducted previously in different countries to assess this relationship. All the previous studies seems to share that workplace diversity have always played a pivotal role for the organizational development and betterment by considering their domains like public, private or industry as well. No doubt, the workplace diversity has been a good sign of improvement which lead the organization towards good performance (Rana Nadir Idress, 2013). Finding of one of the study concluded that there is a significant relationship between workplace diversity and organizational effectiveness/performance. This showed that, combined effect of workplace diversity on organizational effectiveness/performance is positive. The result of current study is also in line with these studies (OGAG-OGHENE, 2011). In the previous study issue was discusses as when and how the team diversity enhances the organizational performance, the results shows that team diversity management lead to the successful entrepreneurial performance. The result of current study are also similar to this described by (Rosini, 2014).

It can be stated that organizational culture could be seen as strong values, that impacts the behavior of all the stakeholders of an organization. Employees and managers must be made aware that different cultures of the organizations communicate in different ways. By arriving at this misunderstandings might be prevented. When people of different cultures comprehend each other’s, they definitely communicate persuasively.

H2; in term of the moderation, the moderating variable, “Workgroup Culture” has a potential effect on relationship between diversity and organizational effectiveness, the research result of current study are also in line with the above study (OGAG-OGHENE, 2011).

It is already found that organizational culture could influence the member’s behavior through the common understanding, values and norms. It is observed in the results of current study that there is a potential moderating effect on the relationship of workplace diversity and organizational performance. Our finding shows that there is a positive relationship between workplace diversity and organizational performance. One of the previous studies has also shown an evident influence of organizational culture on the overall organization performance and effectiveness of an organization (Himmer, 2013).

As the results shows that organizational culture affects the organizational performance in the beverage firms in Pakistan. Organizational culture plays vital role in the completion of organizational objectives/goals. There is uncertainty in organizations which leads towards better organizational performance. Results also shows that culture in different dimensions like power of the manger over the employees affects the organizational performance. For example, if there is a distance between organization manager and employees, it will create problem which hampers the organizational performance. The result of current study also shows the same results thereby indicating a positive moderating effect by organizational culture in this relationship between workplace diversity and organizational performance (Shafiq, 2014).