

# **DEMOGRAPHIC DIVERSITY AND ORGANIZATIONAL PERFORMANCE: A MILITARY PERSPECTIVE**

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## **ABSTRACT**

This study examined the relationship between demographic diversity and the perceptions of organizational climate and organizational performance in military units (n = 2,457). Analyzing data from the Military Equal Opportunity Climate Survey (MEOCS) revealed higher female and minority representation reduced females' and minorities' perceptions of organizational performance. The climate models did not fit the data. Our results demonstrate the importance of conducting separate analyses for subgroups in examining the effects of demographic diversity on organizational outcomes. Implications, limitations, and future research directions were discussed.

## **INTRODUCTION**

The changing demographics of America and the globalization of business enterprise demands that organizational leaders become more aware of and effectively manage diversity and its subsequent impact on organizational performance. Indeed, the workforce of the 21<sup>st</sup> will largely consist of women and racial minorities in the United States [5]. Thus organizations can ill afford to ignore this social trend in the workforce. The effects of diversity therefore become increasingly significant as the employees in organizations become more heterogeneous. Simons, Pelled, and Smith (1999) advance that employee diversity affects organizational performance through process variables. In her seminal work, Brewer (1996) developed a process model of the impacts of diversity upon the organization. She posits that diversity directly influences the ingroup-outgroup identification process—the effects of individuals belonging to or not belonging to certain subgroups—such as gender or race, 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. That is, individual members may categorize others in the group according to stereotypes of subgroup traits (e.g., overall women or blacks possess certain traits), which shape their role expectations (e.g., women and blacks can do certain tasks but not other tasks in their jobs) [4].

## **LITERATURE REVIEW**

Theoretically diversity can produce a number of advantages to the organization. Diverse individuals bring more information and broader perspectives to group decision making and can increase innovation and creative thinking because of differing backgrounds; i.e., diversity can add value to decision making [10]. Different ideas and attitudes can enhance greater critical thinking in the group [2]. Diversity can also promote greater synergy as group members build upon the ideas of others [7]. Diverse individuals can take on a greater variety of group decision roles, such as information provider, summarizer, and

expediter [4]. At the same time, diversity can create unique problems in terms of process loss. Diverse group members may have greater difficulty finding commonalities for building cohesion and group identity [2]. Instead they may focus upon subgroup identities, such as gender, age, and race, to the detriment of identification with the larger group [4].

### **Diversity Representation**

Diversity representation or the degree of diversity (i.e., percentage or proportion of subgroups, such as women and minorities) may affect organizational performance. In their review of the diversity effects literature, Williams and O'Reilly (1998) suggest the need to pay attention to the effects of proportions of women and racial/ethnic groups in research. Conceptually, competition theory postulates that increasing the proportion of subgroups like females or minorities can produce greater competition for organizational resources, which can translate into more conflict and power confrontations among these subgroups [14]. This conflict may occur at several differing levels of interaction [9]. Contact theory would also predict that increasing the proportion of subgroups necessitates a larger number of interactions among members of majority and minority groups, which at least at first would create more complex and conflicting perceptions, which in turn would slow down the formation of positive group processes like cohesion [8].

### **Empirical Evidence**

The empirical evidence in civilian organizations appears to support these theoretical predictions. In an overview of empirical studies examining the effects of degree of diversity in organizations, gender diversity was found, generally, to have a negative effect on groups, and especially on men [15]. Women in mostly male groups tend to feel isolated [5]. Men, however, in female-dominated groups were more likely to be accepted and less likely to be stereotyped than women in male-dominated organizations [15]. Many of the studies examining the relationship between equal opportunity and diversity management in organizations associated with the U.S. military have involved analysis of responses to the Military Equal Opportunity Climate Survey (MEOCS) [6]. The MEOCS is a measure of military equal opportunity (EO) climate – the perceptions of the fairness of military processes and the degree of discrimination and harassment in military environments. Dansby and Landis (1995) found that minority women have the least favorable perceptions of the EO climate, but these perceptions improve as the proportion of minority women in the workgroup increases. Tallarigo (1994) reported that as the ratio of women to men in military organizations increased, they are less likely to see themselves as victims of discrimination, although their overall assessment of the EO climate did not improve.

### **The Present Study**

A number of diversity studies focus upon the perception of EO climate and organizational performance by the unit as a whole. Those few studies that do separate out the perceptions of women and minorities tend to find that these subgroups perceive organizational performance and EO climate less favorably than do the majority group [3, 13]. In general, the studies that examine diversity representation find that EO and organizational performance perceptions either do not improve or even decline as degree of representation of subgroups increases. Following the diversity process framework of Brewer (1996), we would predict that degree of diversity representation would operate through the processes of ingroup/outgroup identity, stereotyping, role expectations, and interpersonal relations to influence EO and organizational performance. In this light, we developed four models to test these process effects using structural equation modeling techniques. We developed separate models for each group because

women and minorities were found to possess different perceptions of organizational performance from the majority group [3, 12]. Two models examined the effects of female representation on women's perceptions of organizational climate and organizational performance. The last two models also analyzed the effects of minority representation on minorities' perceptions of organizational climate and organizational performance. The outcome variables were Organizational Climate and Organizational Performance.

## METHOD

### Measures

The MEOCS scales are the source of most of the variables used in this study. The core of the MEOCS consists of 12 factor scale scores measuring equal opportunity and organizational effectiveness. To date, over 9800 units have been surveyed. The twelve MEOCS factor scales are Sexual Harassment & Discrimination (Scale 1,  $\alpha=.89$ ), Differential Command Behaviors (Scale 2,  $\alpha=.90$ ), Positive EO Behaviors (Scale 3,  $\alpha=.86$ ), Racist/Sexist Behaviors (Scale 4,  $\alpha=.85$ ), Reverse Discrimination I (Scale 5,  $\alpha=.79$ ), Commitment (Scale 6,  $\alpha=.83$ ), Work Group Effectiveness (Scale 7,  $\alpha=.87$ ), Job Satisfaction (Scale 8,  $\alpha=.81$ ), Discrimination Against Minorities and Women (Scale 9,  $\alpha=.91$ ), Reverse Discrimination II (Scale 10,  $\alpha=.75$ ), Attitude Toward Racial Separation (Scale 11,  $\alpha=.82$ ), and Overall EO Climate (Scale 12,  $\alpha=.89$ ).

MEOCS scale 7 is used as the measure of the organizational performance dependent variable in this study. MEOCS scale 12 is used as the measure of the organizational climate dependent variable. The organizational climate dependent variable is constructed by summing the values of MEOCS scales 6, 7, and 8. The two principal independent variables are the proportions of females and minority group members in each unit. It is not possible to develop a combined measure of minority and female representation due to the inability to distinguish between male and female minority group members in the database. There are three additional independent variables. The measure of the Ingroup/Outgroup Process is the sum of MEOCS scales 9 and 10 scores for group (women, minority group members, majority group members). The Stereotype and Status Expectancies metric is the sum of MEOCS scales 4 and 9. The Interpersonal and Role Relations metric is computed by summing MEOCS scales 1, 2, 3, and 5. Separate values for each dependent and independent variable (except minority and female representation levels) were generated for each subgroup (women and minority group members) in each unit.

### Sample

The sample analyzed in this study consists of aggregated data for 2457 military units generated from a database of responses to MEOCS surveys administered and maintained by the Defense Equal Opportunity Management Institute (DEOMI) between 1990 and 1997 with over 100,000 individual respondents from all the U.S. military services.

### Analysis

We used structural equation modeling (path analysis) to evaluate the research hypotheses. The covariance matrix was used as the input for all models. The data followed a non-normal distribution. Therefore, bootstrapping techniques were employed to obtain unbiased model parameters.

## RESULTS

Both path models (Female and Minority) for Organizational Performance achieved satisfactory fit to the data. However, none of the Organizational Climate models fit the data and will not be discussed further. The Female Representation measurement model had acceptable fit indices. All hypothesized path coefficients were statistically significant. The paths from Female Representation to Interpersonal/Role Relations and Organizational Performance were inversely related. Thus, as Female Representation increased in the unit, Organization Performance decreased. Similarly, as Female Representation increased in the unit, Interpersonal/Role Relations decreased as well. We also found a positive relationship between Ingroup/Outgroup Processes and Organizational Performance; Ingroup/Outgroup Processes was also positively related to Interpersonal/Role Relations. The path between Stereotype/Status Expectancies and Interpersonal/Role Relations was positive. Stereotype/Status Expectancies also had a positive impact on Organizational Performance. The Minority Representation model also had an acceptable fit to the data and all path coefficients were statistically significant. Aside from minor deviations, the structural coefficients for Model Two were almost identical to Model One. The paths from Minority Representation to Interpersonal/Role Relations and Organizational Performance were negatively related. Thus, as Minority Representation increased in the unit, Organizational Performance decreased. Similarly, as Minority Representation increased in the unit, Interpersonal/Role Relations decreased as well. We also found a positive relationship between Ingroup/Outgroup Processes and Organizational Performance; in addition, Ingroup/Outgroup Processes was positively related to Interpersonal/Role Relations. The path between Stereotype/Status Expectancies and Interpersonal/Role Relations was positive. Stereotype/Status Expectancies also had a positive impact on Organizational Performance.

## CONCLUSION

Using structural equation modeling techniques support for the organizational performance hypotheses were established for the female and minority representation models utilized to analyze the perceptions of women and minorities, respectively. None of the organizational climate models indicated acceptable fit to the data. The results indicate that increasing levels of female and minority representation were associated with lower evaluations of organizational performance by females and minorities. This finding may indicate tendencies for women and minorities to focus somewhat on subgroup identities as their representation increases in ways that affect organizational performance adversely. It may be possible that increases in representation will heighten sensitivity to perceived instances of job-related discrimination based on race or gender. The results of a 1997 survey of military personnel indicate that 18 percent of black respondents reported experiencing discrimination related to assignment or career in the last twelve months compared to 4% of white respondents. This research had some limitations in that experience or tenure data were not collected for individuals. Nonetheless, our findings highlight the need for separate group analyses when examining climate and performance in military units. In addition, future research is needed to understand why none of the climate models fit the data.

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