

## **Diversity management and human resources productivity: Mediating effects of perceived organizational attractiveness, organizational justice and social identity in Isfahan's steel industry**

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### **Abstract**

Acknowledged by most researchers and scholars, human resource productivity is the most important factor in the resistive economy and business. On the other hand, Workforce diversity is one of the major challenges of this century; and perhaps for managers, managing diversity is more important than seeking diversity to maximize the human resource productivity. The present study aims to analyze the effects of diversity management and its approaches on HR productivity, with an emphasis on the role of cognitive mediator variables, including perceived organizational attractiveness, organizational justice, and social identity in the Mobarakeh Steel and Isfahan Steel companies of Iran. According to the sample size formula in Structural Equation Modeling, this study sample comprises 500 employees. Data analysis was conducted using SEM and path analysis by LISREL8.8. The results of this study confirmed the conceptual model: the effects of diversity management on human resource productivity. The mediator role of perceived organizational attractiveness, perceived organizational justice, and perceived social identity, has also been verified.

### **Keywords**

Diversity management, Human resource productivity, Organizational attractiveness, Organizational justice, Social identity.

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## Introduction

One of the major priorities for managers is the improvement of productivity and it is possible for managers to pave the way for achieving organizational goals by increasing the productivity in their organizations. The most important factor affecting productivity in any organization and industry is human resources to the extent that this factor has been one of the main variables in determining productivity in any country. The most successful organizations in developed countries are those have paid enough attention to this factor (Bahadori *et al.*, 2013). Human resource productivity (HRP) means to maximize the use of resources, human resources, and to measure by scientific method to reduce costs and improve the satisfaction of employees, managers, and consumers (Talebi *et al.*, 2012, p.2); in other words, the most appropriate use of human resources to move toward the organizational goals with minimum time and cost. Lack of attention to HRP not only reduces the effectiveness and efficiency of the organization, but also increases wastage, collisions, turnover, dissatisfaction, and misbehavior in employees. Therefore, to increase HRP, we must know its barriers and facilitators. With the increase of managers' awareness from human resource diversity and differences, one can increase job satisfaction, job involvement, OCB (facilitating factors), and decrease turnover intention (barrier factors); thus, a higher output than input is obtained from HR and increases HRP.

On the other hand, a recent large-scale survey of global Fortune 500 companies and other global organizations revealed that 100% of the surveyed organizations perceive global diversity as an important or very important issue (Nishii & Ozbilgin, 2007). In addition, Hasson Barret (2012) considers three major demographic trends of the 21st century in regard to workforce, including slow growth, aging, and an increase in diversity.

Workforce diversity, refers to all differences that comprise the individual, such as culture, ethnicity, nationality, age, religion, disability, gender, education, and beliefs, and all differences that are observed in every workforce (Edwin, 2001, p.26). Broadly defined,

diversity refers to differences between individuals in terms of any personal attribute that affects how people perceive one another (Brimhall *et al.*, 2014, p.79). Therefore, Futunes and Mykletun (2007, p.975) defined diversity management (DM) as “understanding that there are differences among employees and that these differences, if properly managed, are an asset to doing work more efficiently and effectively.” In other words, DM involves a human resource strategy to effectively manage a diverse workforce (Hasson Barret, 2012, p.3).

Management researchers investigate the consequences and effects of diversity. Workforce diversity is important to organizations with regard to two perspectives: external and internal. From the external perspective, a diverse workforce is a competitive tool (Magoshi & Chang, 2009) that leads to competitive advantage and improves organizational and human resource productivity (HRP). Some outcomes and improvements resulting from effective DM are well investigated and include more creativity expressed in group work; higher levels of organizational commitment; a decrease in costs resulting from attracting, hiring, and retaining the most available talented workers; a decrease in turnover rate; fewer discrimination lawsuits (Fink *et al.*, 2001, 2003); and higher HRP in terms of job satisfaction (Allen *et al.*, 2008), job involvement (Harter *et al.*, 2002), organizational citizenship behavior (Muchiri & Ayoko, 2012), and turnover intention (Singh & Selvarajan, 2013). Given the above consequences, HRP increases. Therefore, the leaders and managers of organizations must be especially successful in combining different cultures, sexes, and ages and must do their best to organize diversity and multiplicity (Hoge, 2010).

In Iran, workforce diversity and its management is pervasive in organizations for various reasons, such as an abundance of ethnicities and dialects (75 languages according to Wikipedia), the increasing presence of women, and more educated employees. According to the Statistical Centre of Iran, the proportion of working-age men (25–34 years) changed from 21.6% in 1956 to 30.8% in 2006, whereas for working-age females (25–34 years) it changed from 22% to 36.3% in 2006. Moreover, during the same period for ages 35–44 years, the

proportion of working-age males changed from 19.3% to 23.6% in 2006, whereas the proportion of working-age females in this age group changed from 15% to 23.7%. The workforce is now notable for the presence of disabled veterans, other persons with physical disabilities, and native migrants from rural villages. According to the Census and Statistical Centre of Iran (2011), the urban—rural population ratio changed from 50:50 in 1980 to 72:28 in 2011) along with the formation of trans-regional organizational structures. In addition, Iran's focus is on national solidarity and public participation as well as finding appropriate approaches for the convergence of different races, religions, minorities, and groups, which are included in the requirements for achieving the multiple objectives of Iran's 20-year vision (Soltani, 2010). These requirements significantly increase the importance of diversity, minority groups, and their effective management in the society, particularly in organizations as highly influential social institutions. According to Islamic and religious teachings, diversity is valued and is one of the hallmarks of God for thinkers and scholars. According to the Quran (Chapter 30: AL-ROOM, verse 22), we should accept pluralism and diversity in languages. Allah says: "And one of his signs is the creation of the heavens and the earth and the diversity of your languages and colors; verily in that are signs for those who know."

Today, in some of the steel companies especially Mobarakeh Steel and Isfahan Steel companies as the largest and the most prestigious companies, a fall in productivity is the main challenge, which could be due to inefficient use of human resources in that organization. Therefore, in case the variables affecting human resource productivity are identified, it is possible to improve productivity through strengthening those variables. On the other hand, Isfahan's steel industry companies are in good diversity condition considering the range of activities and distribution to different cities and provinces of Iran, and also considering the human resources comprises different ethnic groups, educational levels, ages, etc., and general HR diversity. Therefore, the purpose of this article is responding to the concerns of the steel industry executives is whether to increase employee

productivity, move towards manpower diversification or unification of human resources? It can be useful and appropriate to provide a comprehensive model for measuring the outcomes of DM in the Iranian context; and to provide an opportunity for Mobarakeh Steel and Isfahan Steel companies to use diversity management in order to improve the human resource productivity.

Also, taking into account the importance and positive effects that DM can provide for companies, this study aims to investigate the effects of DM and its strategies on HRP, focusing on the mediating role of perceived organizational attractiveness, perceived organizational justice, and perceived social identity in the Mobarakeh Steel and Isfahan Steel companies in Iran. Since, no comprehensive study has been conducted in Iran about HRDM and its role in various aspects of HRP, investigating these effects is of great significance.

## **Theoretical literature and Framework**

### **Human Resource Management (HRP)**

Organizational productivity measures how well an organization function and also an indication of efficiency and competition of a single or department. According to Mali (2008), productivity was seen as a measure of how well resources are brought together in an organization and utilizes for accomplishing a set of result (Okoye & Ezejiofor, 2013). The effectiveness of the use of the factors of production to produce goods, and services is commonly referred to as productivity. Among the factors of production, human resource is most valuable factor in every organization; inattention to HRP and paying attention to other factors cause decrease in efficiency and effectiveness in organizations.

Human Resource Productivity (HRP) is the amount of goods and services that a worker produces in a given amount of time (Yaghoubi *et al.*, 2013). HRP can be measured for a firm, a process, an industry, or a country. It was originally (and often still is) called labour productivity because it was originally studied only with respect to the work of labourers as opposed to managers or professionals. The most

important thing is to use or design measures that reflect on the performance of human resources or that reflect on how the performance of people relates to that of the business. After all, that is what are concerned with demonstrating and that is what organizations will focus on managing in order to improve the performance of both their human resources and their business. Therefore, organizations could approach measuring HRP by considering three different types of measures (Rob, 2011):

1. **Input measures;** these consider what it is that put into applying human resources/ people for productive use, and how structure human resource input.
2. **Output measures;** these describe the outputs attributable to human resources and should therefore always reflect human resources as a variable in the measure (for example profit per employee). This is a very useful technique; it immediately focuses attention on human resource productivity by considering the relationship between key financial performance variables and people.
3. **Outcome measures;** these aren't the same as output measures. Human resources aren't simply inputs that when applied produce outputs. Human resources interact and respond to what they are required to do, how they do it, and how they are managed. Therefore, outcomes measures consider how human resources respond. The resignation rate (turnover and turnover intention) is a good example of an outcome measure; it describes a response of human resources to a set of conditions that may be internal to the company (example satisfaction, commitment, involvement).

Althin and Behrenz (2005) believed that productivity index depends on human factors (human resource). Wysocki and Kepner (2006) expressed that the influence of HRP in the today's world is a fact and also factors which can affect it include: nature of job and personality (appropriation of job and employee), motivation (financial and spirituality), job awareness and understanding, job satisfaction, quality of work life and participating people in organization activities

(job involvement). Yaghoubi *et al.* (2013) says the factors affecting labor productivity or the performance of individual work roles are of broadly the same type as those that affect the performance of manufacturing firms as a whole. They include:

1. physical-organic, location, and technological factors;
2. cultural belief-value and individual attitudinal, motivational and behavioral factors;
3. international influences;
4. managerial- organizational and wider economic and political-legal environments;
5. levels of flexibility in internal labor markets and the organization of work activities; and
6. individual rewards and payment systems, and the effectiveness of personnel managers and others in recruiting, training, communicating with employees.

According to literature of research, with focus on outcome approach and behavioral (attitudinal) aspects of HRP, main factors of HRP in the present study are turnover intention, job satisfaction, OCB and job involvement.

### **Diversity management and HRP**

Since a great number of researchers have proposed various definitions of diversity, and to achieve a better understanding, different aspects and dimensions of diversity should be regarded rather than focusing on a particular definition of diversity. Milliken and Martins (1996) divided diversity into two levels: visible and invisible (less visible) characteristics. The visible level entails age, race, ethnicity, and gender while the less visible level consists of personal attitudes, education, technical skills, social-economic background, personality characteristics, and values. Harrison *et al.* (1998) introduced surface and deep level diversity; the former refers to the physical and visible features while the latter denotes less visible aspects (Hoge, 2010). Other researchers represent a broader diversity classification, which is taken into consideration in this study. Those researchers regard diversity as a concentric circle with four layers that surround the

individual's personality being the first layer (Hoge, 2010; Meinert, 2011). The Figure 1 demonstrates these four layers of diversity. This classification has been used in this study as well.

In practice, DM is defined as a voluntarily implemented program that allows participation from everyone in company processes and reinforces their membership in informal networks (Ng, 2008). DM requires applying approaches and strategies, through which a collection of different persons is gathered in the form of a diverse workforce. Investigating the related literature, different approaches were proposed to manage the diversity as well as to achieve HRP.

In their review, Fink *et al.* (2003) specifically considered Cox's (1991) classification of three types of workforce diversity (monolithic, plural, and multicultural) and proposed a spectrum of three DM strategies for organizations from the lowest extreme (compliance strategy) for monolithic organizations, to the highest (proactive strategy) for multi-cultural organizations.

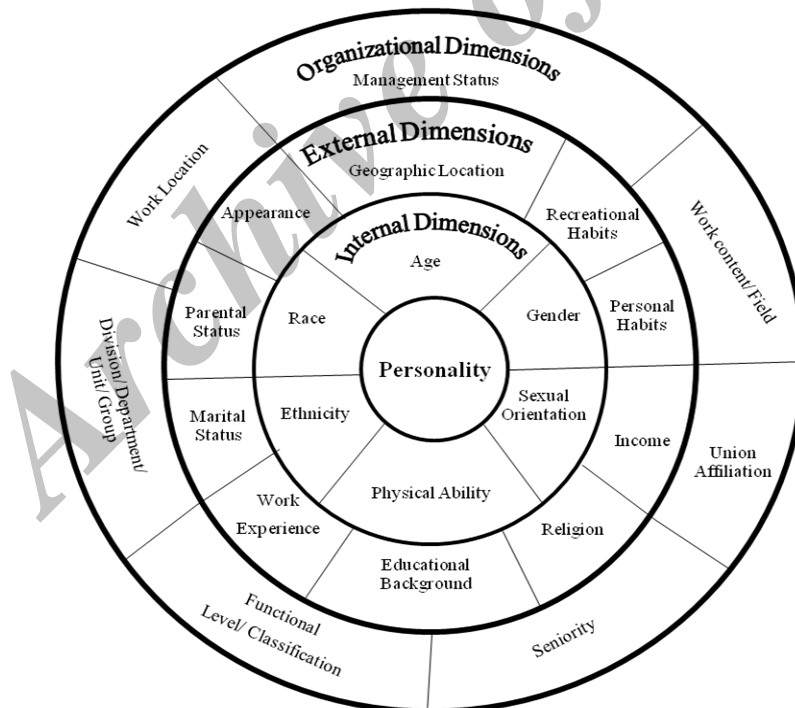


Fig. 1. Four layer of diversity (Reproduced by authors from Hoge 2010: 9)



Organizations that utilize a *compliance strategy* reveal the following features (Fink *et al.*, 2003). First, they view diversity as a liability and encourage employees in the same behavior via the accepted norms and make great efforts to comply with employment legislation. Second, although these organizations may bring different people in the door and may curb lawsuits regarding discrimination and equal opportunities, they do nothing to assist their success in the organizational climate of the “majority.” Further, since the majority of employees within the organization, especially those with power, feel they are being “forced” to accept and follow the federal guidelines, there will be great deal of animosity towards those individuals who are perceived to benefit from the legislation.

Organizations that apply reactive DM (RDM) view diversity as an asset, not a liability, reveal more flexibility in communication lines, and consult with people before making decisions (Fink *et al.*, 2001). Majorities with power in the organization begin to understand that effective DM can bring positive outcomes. These organizations are reactive in nature; that is, they wait for problems to occur before taking action (e.g., a workshop on diversity) and focus only on visible differences, such as gender and race.

Organizations with a proactive DM (PDM) exhibit greater flexibility in decision making and communication lines; thus, many different employees at various levels of an organization are involved in important decisions and communications and will exhibit greater job satisfaction and involvement. These characteristics include: shaping policies, practices, and procedures to use employee diversity from the beginning, addressing diversity issues and problems before they occur, and offering initiatives to increase employees’ successes, and satisfaction. Moreover, organizations with PDM are likely to take a broad and a Gestalt view of diversity, incorporate diversity initiatives into their mission statements, policies, and practices, and have open lines of communication and multicultural leadership teams with diverse individuals (Cunningham, 2009; Ely and Thomas, 2001). Research suggests that organizations adopting such DM strategies are likely to have quality group functioning, positive employee attitudes,

and perceptions of higher productivity (Fink *et al.*, 2001, 2003). More specifically, it suggests that organizations engaging in PDM are more likely to experience positive organizational outcomes.

Ely and Thomas (2001), in their qualitative study of three different organizations, identified three types of DM perspectives: discrimination and fairness, access and legitimacy, and integration and learning. In the *first* perspective, organizations have culturally diverse people because they want to act according to legal obligations or gain public incentives, and provide equal opportunities (Hoge, 2010). This approach is consistent with Cox's (1991) monolithic organizations and compliance DM approach in this study. In the *second* perspective, organizations view employees' diversity as a mean to access more diverse markets and, in fact, seek to match the diversity of their markets (Ely & Thomas, 2001). This approach is also in accordance with Cox's (1991) plural organizations as well as RDM strategy. The *third* perspective aims to form a diverse and heterogeneous workforce who learn from each other how to best accomplish the organization's goals, even if this leads to discussions full of tension due to different perspectives and experiences among individuals (Ely & Thomas, 2001). This approach is in line with Cox's (1991) multicultural organization as well as PDM strategy that apply in this study.

According to above issues, and the effects of DM on HRP that were discussed in previous section, outcomes are achieved from effective HRDM that have been investigated by many researchers (Brimhall *et al.*, 2014; Singh & Selvarajan, 2013; Mamman *et al.*, 2012; Meinert, 2011; Olsen, 2010; Villamil, 2007), such that DM strategies could lead to higher job satisfaction and involvement, OCB, organizational commitment, and lower absenteeism and turnover, as well as to attract and to retain talented employees, resulting in higher customer satisfaction. Ultimately, the goal of DM strategies is to increase HRP without thinking about people's religions, color, ethnicities, or backgrounds.

### **Mediating role of perceived organizational attractiveness, justice, and social identity**

Organizational attractiveness is defined as the “degree to which a respondent would personally seek a company as an employer and would recommend the company as an employer” (Villamil, 2007, p.12). Signaling theory essentially states that individuals or organizations attempt to relate information to others with the desire to receive some type of investment (Olsen, 2010, p.12). Scholars have proposed that descriptions of organizations’ DM programs send signals that may work to attract or repel applicants. According to organizational attractiveness theory, potential applicants without complete information about an organization must rely on signals to reduce the uncertainty surrounding an organization’s unknown characteristics. A diverse workforce is a signal that an organization is to be compliant with society’s moral standards, laws, and regulations. As a result of signs and symptoms presented by the organization, diverse applicants evaluate the organization more highly in terms of organizational attractiveness. Some studies have shown that diversity policies and DM are key factors that influence organizational attractiveness (Olsen, 2010; Villamil, 2007).

As a result, and although properly implemented DM strategies result in organizational attractiveness, perceived organizational attractiveness by employees shapes both individual and organizational outcomes (job satisfaction and involvement, OCB, and turnover intention) and increases HRP. Thus, employees’ perceptions of organizational attractiveness mediate the effect of DM on HRP.

On the other hand, as humans are social creatures that tend to socialize with others in social environments, they seek to be identified with the people and the environment. In an organizational environment as a social type, when employees see the organization as having something in common with them, they like to share mutual interests and goals. Based on Burkes’ Identification Theory (1970), there are three types of commonality identification: material, idealistic, and formal. Material identification results from possessions and things; idealistic identification is the result of shared ideas,

feelings, values, and attitudes, such as religious or political associations; and formal identification has to do with the arrangement, form, or organization of an event in which both parties participate (Villamil, 2007). Utilizing DM strategies that lead to valuing the beliefs and values of all persons (minority and majority groups) in the organization improves the process of employees identifying with organizations. According to Ashforth and Mael (1989), this organizational identification is a specific form of social identification. Social identity theory supports the idea that diversity perception shapes the identity of members in the work environment. Social identity theory gives us a blank image to begin filling in how people view themselves and how they relate to others (Hasson Barret, 2012). If diverse HR is properly managed, then DM can cause organizational and social identity for individuals; thus, the result of the organizational (social) identity process is that people (especially those with diverse/different characteristics than the majority) are very likely to have stronger feelings about the organization and these strong feelings can lead to higher OCB, job satisfaction and involvement, and lower turnover intention. These effects then lead to a higher HRP in the organization. Thus, employees' perceptions of social identity mediate the effect of DM on HRP.

The other theory investigated in DM studies on the relationship between diversity and its outcomes is Equity Theory, since DM aims at social justice (Bleijenbergh *et al.*, 2010). When DM is implemented, the organization is able to give the impression that it establishes systems that fairly evaluate, promote, and reward its employees based upon performance and ability rather than criteria such as gender, nationality, or age (Magoshi & Chang, 2009). Therefore, when a company effectively utilizes DM practices and strategies, employees may perceive that decision processes are implemented on non-prejudicial factors and, accordingly, their sense of justice will be enhanced. As a result of perceived organizational justice, individual (job satisfaction and involvement, OCB, and turnover intention), and organizational outcomes are also enhanced. The effects of organizational justice and equity on OCB and job

involvement (commitment) have been confirmed among diverse employees (Mamman *et al.*, 2012). Therefore, perceived organizational justice mediates the effect of DM on HRP.

**Research model**

According to the discussions in previous sections, it is clear that the investigation of DM should consider three major issues:

1. the effects and values of the DM (HRP and components),
2. a wide range of differences (four layers), and
3. cognitive factors associated with DM (mediators).

These are the three main constitutive parts of the research model presented in Figure 2 and are unique to this study.

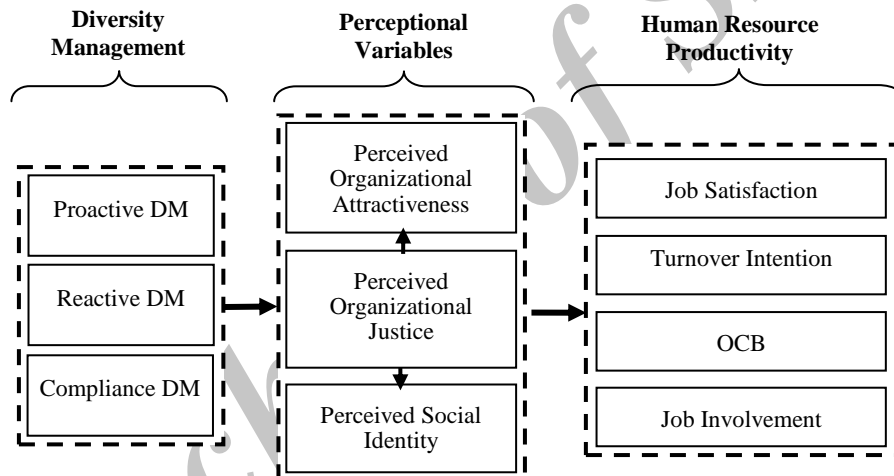


Fig. 2. Research Conceptual Model

According to the research model, the research hypotheses are presented as follow:

- H1:** DM through perceived organizational attractiveness affects HRP and its components.
- H2:** DM through perceived organizational justice and equity affects HRP and its components.
- H3:** DM through perceived social identity affects HRP and its components.

**H4:** DM has a direct effect on HRP and its components.

**H5:** Perceived organizational justice impacts perceived organizational attractiveness.

**H6:** Perceived organizational justice impacts perceived social identity.

## Methodology

### Data and sample

In terms of purpose, this is an applied study and in terms of data gathering method, it is descriptive survey. The study population consists of all employees of two large steel companies in Iran (Mobarakeh Steel Co. and Isfahan Steel Co.) (N=42,332). According to the data analysis method (SEM), Schumacker and Lomax (2004) suggest that, for each observable variable in the research model, 10-15 samples are sufficient. Thus, according to the number of questions in the questionnaire (49), 500 questionnaires were distributed, of which 300 questionnaires were for employees of Company 1 and the remaining 200 were for employees of Company 2. Questionnaires were distributed using the quota, random sampling method.

### Measures

In the present study, we first use the Herfindahl–Hirschman standard index regarding four layers of diversity (Fig. 1) to measure the intensity of heterogeneity and diversity (Roberson and Jeong Park, 2007), via the following formula:

$$H = \frac{1 - \sum_{i=1}^k p_i^2}{1 - \frac{1}{k}}$$

where H is the diversity index, P the percentage of employees in each diversity category, and K involves the number of categories in each dimension of diversity. The range of the H-index is 0 to 1.

All constructs with multiple item scale were measured. To measure the independent variables (DM strategies), the 25-item Fink

et al. (2003) scale was used. According to the intensity of diversity (characteristics with  $H > 0.5$ ) and cultural standardization, unrelated questions were excluded and, eventually, 15 items were utilized (Cronbach's  $\alpha = 0.898$ ); each DM strategies measures with 5 items.

To measure the dependent variables, these standard scales were used: 4-item General Job Satisfaction Scale of Taylor and Bowers (1972); Kanungo's 3-item Job Involvement Scale; Organ's 10-item OCB Scale; and Abrams et al. 3-item turnover scale.

To measure mediating variables, the 4-item Organizational Attractiveness Scale of Villamil (2007), Hassan (2012) 5-item Organizational Justice Scale, and the 5-item Social Identity Scale of Jones and Volpe (2011) are used, all based on the 5-point Likert scale.

Table 1 indicates research variables, the number of items for each variable, reliability value (Cronbach's  $\alpha$  and Composite reliability), validity value (AVE).

Table 1. Constructs and measures reliability and validity

	Constructs	Items	Cron. $\alpha$	CR	AVE
DM	Compliance DM	5	0.783	0.856	0.589
	Reactive DM	5	0.775	0.810	0.567
	Proactive DM	5	0.752	0.808	0.562
Mediators	Org attractiveness	4	0.866	0.906	0.709
	Org justice	5	0.790	0.865	0.798
	Social identity	5	0.853	0.904	0.824
HRM	Job satisfaction	4	0.797	0.821	0.536
	Job involvement	3	0.769	0.869	0.689
	OCB	10	0.804	0.842	0.656
	Turnover intention	3	0.767	0.849	0.675

Cronbach's alpha, composite reliability (CR) and AVE values that are shown in table 1 indicate that the measurement items have good reliability and validity.

**Data analysis method**

Descriptive statistics (frequency and percentage) were applied to describe and summarize the collected data and SEM and path analysis are used to measure the proposed research model and to test the hypotheses using SPSS17 and LISREL8.8.

## Findings

The results of the descriptive analysis with H-index of four diversity layers are presented in Table 2.

Table 2. Four layer of diversity and H index in studied company

Diversity Layers	Category	MSco	ISco	Diversity Layers	Category	MSco	ISco
Personality	A tip	78	82	Gender	Male	99	97
	B tip	22	18		Female	1	3
	<b>H index</b>	<b>0.69</b>	<b>0.59</b>		<b>H index</b>	0.04	0.11
Citizen Status (Race)	Native	24.1	30	Marital Status	Married	84.25	86
	Non-native	75.9	70		Single	15.75	14
Division/ Department Unit	Operational	76.8	79	Age	< 25	5.01	4
	Staff	23.2	21		25-35	35.8	41
	<b>H index</b>	<b>0.72</b>	<b>0.66</b>		36-45	36.6	37
Physical Ability	able	98.5	97		46-55	20.8	15
	veteran	1.5	3		>56	1.8	0.7
	disable	0	0		<b>H index</b>	<b>0.86</b>	<b>0.83</b>
Functional Level	Top	2	1	Ethnicity	Fars	57	50
	Middle	6	4		Kurd	1	3
	Operational	92	95		Lor	38	45
	<b>H index</b>	<b>0.22</b>	<b>0.14</b>		Turk	3	2
Contractual	42.9	74	Other		1	0	
Employment Status	Permanent	15.6	26	<b>H index</b>	<b>0.66</b>	<b>0.72</b>	
	Other	41.5	-	Work Experience	5 and Under	36.2	66
	<b>H index</b>	<b>0.93</b>	<b>0.76</b>		6-13	29.2	9
Excellent	34.4	1.7	14-20		11.1	6	
Income Status	Good	62.6	10		21-26	19.6	15
	Fair	3	88		27 and above	3.9	4
	Poor	0	0.3	<b>H index</b>	<b>0.92</b>	<b>0.66</b>	
	<b>H index</b>	<b>0.63</b>	<b>0.28</b>	Educational Background	Under Diploma	33.6	29
Religion	Shia	99.94	99.96		Diploma	46.2	53
	Sunni	0	0.02		Above Diploma	6.3	9
	Christian	0.03	0.01		Bachelor	12.4	8
	Other	0.03	0.01		Master	1.5	1
	<b>H index</b>	<b>0.002</b>	<b>0.009</b>	<b>H index</b>	<b>0.82</b>	<b>0.77</b>	
				Number of Employees	25869	16463	

Note: ISco: Isfahan Steel Company, MSco: Mobarakeh Steel Company.

According to H-index used in measuring the intensity of diversity (Table 2), bolded cases indicate the differences whose intensities are found to be extremely high in the two studied companies. The differences with an H-index less than 0.5 have been deleted in the related questions in the DM questionnaire.

The results of one-sample t-test (Table 3) to measure the variables' means, showed that all variables have statistically significant means at values near and higher than 3, especially HRP and some of its component (OCB, job involvement, and turnover intention, except job satisfaction). In addition, the DM strategies of Company 1 were better

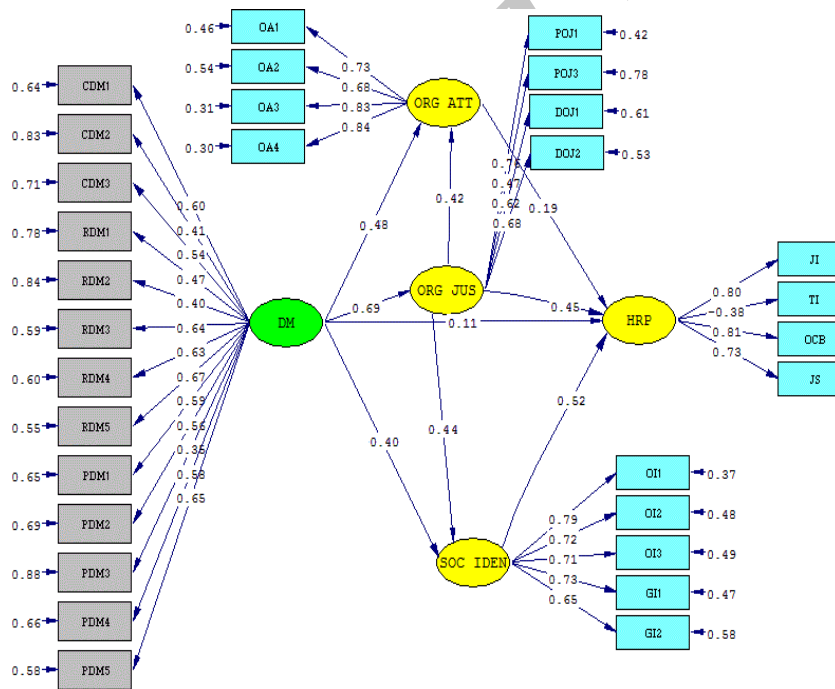


than Company 2, especially in RDM and PDM. Employees' perceptions of organizational justice in both companies were the lowest.

Table 3. One sample t-test and means

Variables	Both companies	Company 1	Company 2
Variables	Sig.	Mean	Mean
Compliance DM	.000	3.1421	2.7785
Reactive DM	.000	3.2600	2.9446
Proactive DM	.000	3.2221	2.9585
Org Attractiveness	.000	3.7776	3.5600
Org Justice	.000	2.9221	2.4846
Social Identity	.000	3.9021	3.5000
Job Satisfaction	.000	3.5408	3.4462
Turnover Intention	.000	2.7614	3.0538
OCB	.000	3.9374	3.5031
Job Involvement	.000	3.5895	3.4462

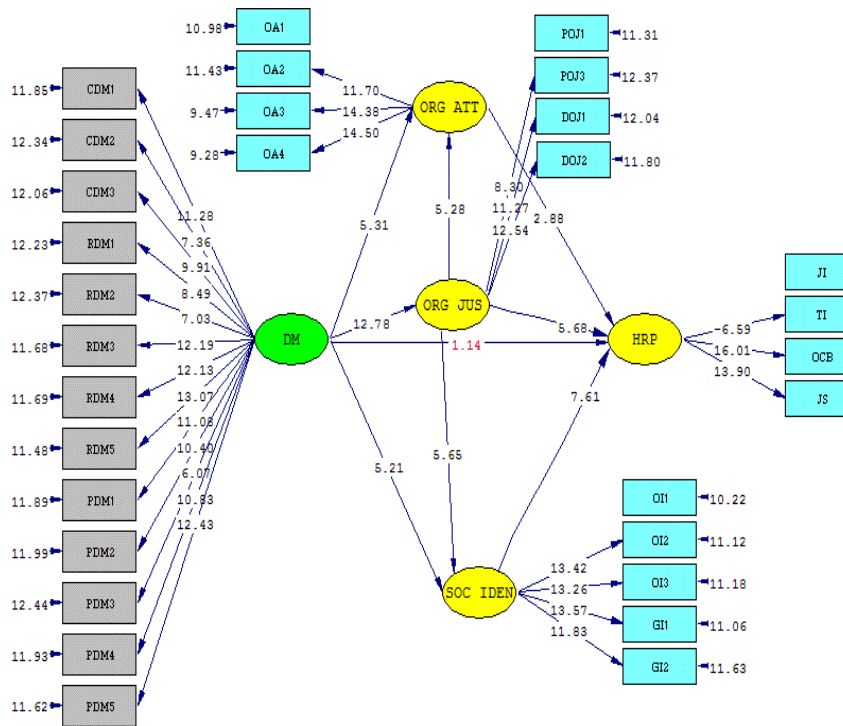
In order to test the research model, a combined measurement and structural model were examined by LISREL 8.8 that the standardized structural coefficients and their t-values are shown in Figures 3 and 4.



Chi-Square=853.55, df=397, P-value=0.00000, RMSEA=0.039

Fig. 3. Structural Model with Standardize Solution Coefficients\*

\*Note: CDM4, CDM5, and POJ2 deleted, because factor loadings were lower than 0.4



Chi-Square=853.55, df=397, P-value=0.00000, RMSEA=0.039

Fig. 4. Structural model with t-values

All structural relationships were significant at p-value <0.05 except the direct relationship between DN and HRP. To confirm the structural model and path analysis, standard values with the values of the research model fitness are presented in Table 4.

Table 4. Values of research model fitness

Fit indices	AGFI	GFI	CFI	RFI	IFI	NFI	RMSEA	$\chi^2/df$
Standard values	> 0.9	> 0.9	> 0.9	> 0.9	> 0.9	> 0.9	< 0.05	< 3
Research values	0.92	0.97	0.93	0.94	0.96	0.92	0.039	2.15

According to the results presented in Table 4, the validity and fitting of the research model is confirmed since the index values were higher than the required standard values, RMSEA values were less than 0.05, and the ratio of  $\chi^2/df$  is less than 3. Now that the final

model is confirmed, path analysis was also used to test the study's hypotheses. The results are presented in Table 5.

Table 5. Path analysis in conceptual model

Paths	Path coefficient	R <sup>2</sup>	T-value	Result
DM → Perceived Attractiveness	0.48	0.49	5.31	Support
DM → Perceived Justice	0.69	0.57	12.78	Support
DM → Perceived Identity	0.40	0.45	5.21	Support
Perceived Attractiveness → HRP	0.19	0.72	2.88	Support
Perceived Justice → HRP	0.45	0.72	5.68	Support
Perceived Identity → HRP	0.52	0.72	7.61	Support
DM → HRP	0.11	0.72	1.14	n.s
Perceived Justice → Attractiveness	0.42	0.49	5.28	Support
Perceived Justice → Identity	0.44	0.45	5.65	Support

According to the results presented in Table 5, and also considering t-values, all paths are confirmed and the only direct effect of DM on HRP is rejected. Thus, the mediating role of mediator variables in the effect of DM on the HRP will change from partial to complete. According to path coefficients, the greatest effect belonged to the impact of DM and its strategies on organizational justice, and the impact of social identity on HRP. Thus, in total, the fourth hypothesis is rejected and other hypotheses are confirmed.

**Discussion and Conclusion**

This study investigates the effects of DM and its strategies on HRP with an emphasis on the mediating role of perceived organizational attractiveness, organizational justice, and social identity. Analysis of the model's fitness indices showed that the values for the impact of DM on HRP were a good fit to the model.

The data analysis showed that apart from H4, in which the direct effect of DM on HRP was examined, the other research hypotheses were confirmed. In the first hypothesis, the mediating role of perceived organizational attractiveness was confirmed, which indicates that, once an organization takes a PDM strategy, the organization would be more attractive for employees as well as external job applicants. When new recruits enter the organization, an attractiveness that is formed in their minds affects job satisfaction,

OCB, job involvement, turnover, and HRP. The first part of this finding is consistent with results of Villamil (2007).

In the second hypothesis, the mediating role of organizational justice on the effects of DM on HRP and its components was confirmed. Thus, when organizations act according to these procedures (decision making and reward allocation regardless of employees' individual differences), and has PDM strategy, employees will feel justice and this sense leads to higher job satisfaction and involvement, OCB, and lower turnover, which increases HRP. These results are consistent with the results of Magoshi and Chang (2009) and Brimhall *et al.* (2014).

The third hypothesis confirmed the mediating role of social identity, which means that, when the organization does not reveal discriminatory approaches about employees and work groups based on their individual differences (race, education background, age, etc), employees constantly, in comparing themselves and their groups with others, try to have a constructive competition with others and, instead of identifying with individuals or their groups, employees identify with an organization as a larger community, which results in increased HRP components. The effect of DM on social identity is consistent with the results of Hasson Barrett (2010).

In the fourth hypothesis, the direct effect of DM on HRP is rejected. This result means that the implementation of DM strategies does not directly lead to HRP, but these strategies should be fairly understood, be attractive for employees, and should assist with employees' identification with the organization.

In fifth and sixth hypotheses, where the effects of mediator variables on each other have been studied, the effect of organizational justice on attractiveness and social identity is confirmed. This result is consistent with the results of Hassan (2012) and is not consistent with the results of Madera *et al.* (2012). This indicates that when employees understood that implementation of DM caused justice and equity in the organization, their perception of social identity and the internal and external organizational attractiveness was affected.

The strength of this study is investigating the concept of DM in the

context of DM strategies, because the limited studies conducted in Iran have concentrated only on diversity, but not DM (Gholizadeh *et al.*, 2012; Haghighi *et al.*, 2011; Rezaeian & Ghasemi, 2011), which investigates the role of limited indices of diversity, such as gender, age, and education on behavioral outcomes rather than examining the role of DM on HRP. Furthermore, in this study, all variables of the four layers of diversity have been studied. In many DM field studies, the mediating variables have not been regarded, but in this study, in addition to considering the mediating variables, three other major mediator variables are introduced to present a more comprehensive model. Investigating the research model and the effects of DM on HRP using the SEM method is another key point in this study.

### **Recommendations**

Concerning the research findings, the following recommendations are provided for managers and policy makers in the steel industry:

- Managers need to understand and nurture various demographic diversity variables to shape how employees interpret work group relationships, thus impacting on organizational productivity.
- Organizations should put in place HRDM programmes (e.g., Performance evaluation based on merit and irrespective of differences, training course for introduction and to learn about diversity and DM and etc) which actively promote organizational attractiveness, justice and social identity in order to lessen or neutralize possible negative effects of HR diversity on relevant organizational outcomes and productivity, and promote positive effects of HR diversities on productivity.
- To enhance the HRP, managers need to fairly and actively implement DM strategies. The most important factor is that the executives practices be perceived fairness. Therefore, it is recommended to studied organizations that to improve justice in processes, procedures and rewards distribution.

And other recommendations for managers and organizations:

- Welcome to hire diverse candidates, and customized employment practices.

- Institutionalization of open and transparent communications in interactions between diverse HRs, and the creation of a common organizational understanding.
- Develop and train the cultural intelligence skills.
- The presence of different and diverse managers and executives in decision-making and policy making sessions.
- The elimination of destructive conflict between majority and minority to create a sense of pride and common organizational and social identity among HRs.

This study also puts forward some recommendations for future research. DM strategies and the role of DM on HRP are not formed in a vacuum; instead, these are dependent on contextual variables, such as organizational culture, company size, structure, etc. Future researchers should examine these variables. In addition, after talking with company managers, it was concluded that the HRM status of the organization, whether internal or outsourced, could affect the results; thus, it is recommended as a topic for future investigations.

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