

Does diversity matter? exploring workforce diversity, diversity management, and organizational performance in social enterprises

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Funding information

The National Research Foundation of Korea Grant funded by the Korean Government, Grant/Award Number: NRF-2013S1A2A1A01066761

This study explores the dynamics of workforce diversity, diversity management, and organizational performance in social enterprises. Semi-structured in-depth interviews were conducted with 14 individuals working in the social enterprise sector in Los Angeles, California, including both top management and regular employees. Data were analyzed using thematic analysis rooted in grounded theory. Overall, high levels of diversity in gender, race/ethnicity, education, and sexual orientation were identified in social enterprises, while low levels of age and value diversity were found. Workforce diversity and diversity management were reported to be crucial factors that positively influence organizational performance. Although interviewees considered diversity management to play an important role in promoting organizational performance, they were less likely to implement diversity management themselves. By providing important insights into workforce diversity, diversity management, and organizational performance in social enterprises, this study contributes to an understanding of the dynamics and provides suggestions for sustainability in social enterprises.

KEYWORDS

diversity, diversity management, organizational performance, qualitative research, social enterprise

1 | INTRODUCTION

With the rise of globalization, workforce diversity, which refers to more than one characteristic being present among employees, has been an issue of great interest among organizational researchers and managers. As an important part of promoting justice and fairness in the workplace, workforce diversity has emerged as a core strategic value that many organizations believe they have an obligation to pursue (Mor Barak, 2015; Ng & Sears, 2012). Organizational efforts to embrace and promote diversity have been encouraged in order to establish and improve positive perceptions in business environments, recruit highly competent workers, and generate innovative ideas (Mor Barak et al., 2016). To date, relevant research has primarily examined the effects of workforce diversity on organizational performance (Pitts, 2005; Richard, Roh, & Pieper, 2013; Thomas & Ely, 1996). A number of research initiatives have identified the benefits that diversity can bring to an organization, including to role stress (Findler, Wind, & Mor Barak, 2007), organizational commitment (Cho & Mor Barak, 2008), retention (Hobman, 2003), and innovation (Gonzalez & DeNisi, 2009; Richard et al., 2013). Other studies, however, have reported that workforce diversity can have negative effects on an organization's overall well-being (Choi & Rainey, 2010). Further research on the relationship between diversity and organizational performance is required in order to clarify the impact that workforce diversity has on organizational performance.

A number of recent studies have focused on the role of diversity management in terms of the relationship between diversity and performance in the workplace (Choi & Rainey, 2010; Groeneveld, 2011; McKay & Avery, 2015; Ng & Sears, 2012). In diversity management, initiatives such as the promotion of an inclusive organizational climate or the prioritization of diversity in employee recruitment are efforts in which

the employees become the operative agents in the relationship between workforce diversity and organizational performance (Choi & Rainey, 2010; Pitts, 2009). Once an organization's workforce is highly diverse, the potentially positive impacts of its composition depend on the extent to which the organization effectively manages its diversity. Without effective management, an organization risks low team cohesion or high levels of conflict, results that negatively affect organizational productivity.

Social enterprises, organizations that pursue both economic and social aims of addressing societal problems, display unique characteristics regarding workforce diversity. Social enterprises are more likely to employ women, the poor, the elderly, and the disabled – in other words, people from diverse experiential and socioeconomic backgrounds (Cho, Chung, Lee, & Ha, 2012; Sepulveda, 2015). Social enterprises are characterized by a more liberal and flexible organizational culture, which itself is arguably a hallmark of diversity. Within the organizational culture, they endeavor to increase the diversity of their enterprises in pursuit of community integration. Considering how important diversity is to their operation, social enterprises should make efforts to effectively manage diversity in the workplace. However, there is little understanding of the dynamics of diversity, the role of diversity management, and its effect on performance in social enterprises. Specifically, the literature on social enterprises has primarily focused on determining factors that affect performance, but does not address the role of diversity and diversity management in supporting performance. By exploring the related dynamics, this study contributes to an understanding of diversity and identifies policy and practice implications to improve the sustainability of social enterprises. As such, the purpose of this article is to use qualitative data to examine workforce diversity, diversity management, and performance in social enterprises.

2 | THEORETICAL BACKGROUND

2.1 | Diversity relevant theories

There are several theories concerning diversity within teams and organizations and together they provide a theoretical framework for understanding the relationship between workforce diversity and organizational performance. The primary theories are social identity theory (Hogg, 2006; Tajfel, 1982) and optimal distinctiveness theory (Brewer, 1991). Social identity theory is regarded as a mega-psychological theory that accounts for how individuals identify themselves within their groups (Tajfel, 1982). According to social identity theory, individuals categorize themselves into social groups, a process that allows them to decide how they interact with both others in their own groups and those in other groups (Stahl, Maznevski, Voigt, & Jonsen, 2010; Tajfel, 1982). This theory argues that it is essential to understand how individuals perceive those within their groups, as this perception determines team cohesion and organizational linking, which in turn leads to positive work outcomes. Thus, managers strive to reduce unfamiliarity among different employees in order to accomplish organizational performance.

Optimal distinctiveness theory explains the importance of promoting an inclusive organizational culture. Proponents of optimal distinctiveness believe that people wish to feel similar to others to whom they are related (Greenberg, Ashton-James, & Ashkanasy, 2007) while at the same time wanting others to accept their individual features (Brewer, 1991; Shore et al., 2011). When attempting to create an inclusive work environment, it is vital to highlight similarities among employees in order to effectively manage diversity (Brewer, 1991; Shore et al., 2011). In doing so, organizations can achieve organizational performance. Specifically, they can improve employees' job satisfaction (Acquavita, Pittman, Gibbons & Castellanos-Brown, 2009; Mor Barak & Levin, 2002; Nishii, 2013) and reduce turnover intention (Hwang & Hopkins, 2012). Integrating the opinions of employees leads to organizational thinking that positively affects organizational performance. Thus, workforce diversity affects organizational thinking.

2.2 | Social enterprises and sustainability

Social enterprise refers to an organization that attempts to simultaneously achieve social and economic objectives while employing those from vulnerable socioeconomic backgrounds, providing relevant services, and enhancing quality of life for residents of local communities through contributions to economic revitalization. The number of social enterprises has steadily increased over the past two decades (Bagnoli & Megali, 2011; Cho et al., 2012; Dees & Anderson, 2006; Di Domenico, Haugh, & Tracey, 2010; Grandos, Hlupic, Coakes, & Mohamed, 2011; Low, 2006; Miles, Verreynne, & Luke, 2014; Sharir & Lerner, 2006). Social enterprises in the United States (US) are private enterprises, thus the government does not provide any formal financial support. Furthermore, there is no legal definition of social enterprise; therefore, it is difficult to measure the precise number of social enterprises in the US. However, over the past 10 years, social enterprises have actively been researched and discussed as a means of addressing social problems. Recent research indicates that social enterprises that pursue social and economic objectives should create strategies for successfully navigating an increasingly competitive business environment (Bagnoli & Megali, 2011; Cho et al., 2012).

The literature has focused on understanding social enterprises by conceptualizing the nature of social enterprise (Dees & Anderson, 2006; Di Domenico et al., 2010; Grandos et al., 2011; Gray, Healy & Crofts, 2003; Low, 2006), examining social enterprise governance, analyzing cases (Cho et al., 2012), and comparing examples from different countries (Defourny & Nyssens, 2008). Current research trends have recognized a scholarly transition from attempting to describe social enterprises to addressing questions about their maintenance and development (Bagnoli & Megali, 2011; Cho et al., 2012; Miles et al., 2014; Sharir & Lerner, 2006). As yet there have been no attempts to analyze the impacts of employee diversity on the social enterprise workplace environment.

Social enterprises differ from for-profit organizations in that their success is linked to a social mission as well as to profitability, whereas for-profit organizations tend to be linked exclusively to profitability. In fact, the social mission of a social enterprise is often regarded as its main goal, and profitability is seen as a means of implementing the enterprise's social mission (Cornelius, Todres, Janjuha-Jivraj, Woods, & Wallace, 2008; Ho & Chan, 2010; Rotheroe & Richards, 2007). Such organizations must often deal with conflict between their social and economic goals when they experience an imbalance between social and economic performance. Achieving balance between social and economic results is a crucial step in achieving sustainability. Diversity, which sits at the intersection of these two issues, is discussed here within this context.

2.3 | Diversity and performance

Diversity can be divided into two types: surface and deep level (Casper, Wayne, & Manegold, 2013; Kacmar, Harris, Carlson, & Zivnuska, 2009). Surface-level diversity refers to variety in physical characteristics, such as gender, age, race, and ethnicity. Deep-level diversity relates to characteristics that are more difficult to identify by simply observing an individual's appearance, and includes factors such as education, working tenure, professional competence, values, and opinions. Recently, organizations have begun to make efforts to increase both surface and deep-level diversity, and it is therefore crucial for diversity management to consider both types.

Compared to for-profit or non-profit organizations, social enterprises are relatively unique in terms of employee composition. They are likely to include more female employees and a wider variety of racial and ethnic backgrounds – characteristics traditionally associated with more vulnerable groups (Cho et al., 2012). Employees at social enterprises are younger on average than those in other types of organizations, a factor that some suggest is connected to higher levels of innovation. Social enterprises are also more likely to share their mission and visions with employees, who they encourage to be aware of the importance of their organization's social aims (Sharir & Lerner, 2006). However, despite these ideological similarities, social enterprises are also rich in deep-level diversity, and employ individuals from a range of educational and professional backgrounds.

A large body of research on diversity and performance has demonstrated the positive effects that diversity can have on an organization's performance (Giffords, 2009; Richard et al., 2013; Soni, 2000; Thomas & Ely, 1996). Specifically, high levels of diversity have been linked to increased organizational commitment (Giffords, 2009) and performance (Sacco & Schmitt, 2005). Knowledge about the relationship between diversity and performance in social enterprises, however, remains scarce.

2.4 | Diversity management and performance

Diversity management refers to the pursuit of organizational productivity and profitability by means of an organizational culture that encourages diverse values and cultural backgrounds (Lim, 2010). It requires an organizational commitment to employ, promote, maintain, and compensate minority and female employees (Thomas, 1991). Mor Barak (2000) provides a broader definition of diversity management: achieving profitability through an organizational culture that encourages diverse values and cultural backgrounds. As workforce diversity has increased through globalization and the increasing rate of female economic participation, diversity management has become an important issue in the management of both for-profit and non-profit institutions (Mor Barak, 2017). Research has shown a significant positive link between diversity management and performance in these sectors (Pitts, 2009). As diversity management has increasingly been engaged as a tool for addressing unemployment, poverty, crime, and environmental issues, it has also become more important for social enterprises to consider the role of diversity management in their organizations. Embracing diversity is concomitant with the aims of social enterprises.

3 | METHODOLOGY

3.1 | Sample recruitment

Two approaches were employed to identify social enterprises in Los Angeles, California, for this study. First, using a convenience sample method, we obtained information on social enterprises from two key individuals: a former Chief Operating Officer (CEO) of a successful social enterprise currently working as a business school professor and another professor specializing in the research area of social enterprise. We chose these sources for their useful information on social enterprises in the area, given that there are no reliable or comprehensive lists of social enterprises in the region. Second, we performed an online search of social enterprises and social enterprise association websites. We sent emails with information about this study to the top management at the social enterprises we identified, asking them to participate in a semi-structured interview and to select employees who could participate in a separate interview. Using these two search methods, we eventually obtained information on almost 40 social enterprises and targeted 10 for interviews. In order to ensure the proper number of applications, a total of 20 emails were sent. We received seven responses from managers who agreed to participate. We interviewed a total of eight members of top management and six regular employees.

TABLE 1 Organizational characteristics ($n = 7$)

Variable	Organizational type I	Organizational type II	Year established	Annual revenue (mean)	Composition of revenue	# of employees
Case A	Non-profit	Employment service	1984	10.5 M	Revenue, fundraising	272
Case B	Non-profit	Charity	1979	59 K	Fundraising	10
Case C	For-profit	Microfinance	2010	–	–	15
Case D	Non-profit	Public school	2003	170 M	Public funding	200
Case E	Non-profit	Networking	2004	1 K	Fees	7
Case F	Non-profit	Networking	2012	NA	NA	4
Case G	For-profit	Architecture	2006	45 K	Fees	7

3.2 | Participants and social enterprises

The demographic descriptions of the participants are as follows: 66.7% were Caucasian, 20.0% were Asian, and 13.3% were African American. Their average age was 37.9 (standard deviation [SD] 14.6). Interestingly, all of the CEOs or presidents possessed graduate degrees, while the employees held either undergraduate (33.3%) or graduate degrees (66.7%). Their academic majors were highly diverse, and included business, economics, urban planning, international development, and health. The average job tenure of the CEOs and presidents at their current enterprise was 8.2 years (SD 11.1), while for employees it was 1.4 (SD 0.3). The average job tenure in the social enterprise field was longer than in other business fields (top management: median [M] 10.6 years, SD 12.9 years; employee: M 3.0 years, SD 1.6 years). Regarding previous work experience, 25% of the top management team (TMT) had only worked in the non-profit sector, 25% had only worked in the for-profit sector, and 50% had worked in both. Table 1 provides the characteristics of the organizations that participated in the study.

The organizational characteristics of the social enterprises varied. Five defined themselves as non-profit organizations and two considered themselves for-profit organizations. The organizations in our sample operated in the fields of employment service, microfinance, public schools, architecture, and networking. All of the organizations had boards of directors. Two were over 30 years old, four were approximately 10 years old, and one organization was established in 2012. Their revenues were generated through a variety of methods, including fundraising, fees, and public funding, and ranged between 1,000 and 1,700,000 US dollars per year. The number of employees in each enterprise ranged from four to 272. Two maintained over 200 employees, and five had <10. Overall, the organizations had very diverse features.

3.3 | Interview procedure

Semi-structured, in-depth interviews were conducted at the interviewees' places of work. Participants were asked to complete a short questionnaire to gather demographic and work-related information (gender, education, previous work experience, board, organizational type, etc.), before an interview that lasted between 60 and 90 min. The questions guiding the interviews were: (i) "How does diversity work in social enterprises?" and (ii) "How does diversity management work in social enterprises?" A 25 US dollars gift card was offered as compensation for participating in the interview. All participants provided informed consent.

3.4 | Analysis

Interviews were digitally recorded and transcribed verbatim. In order to ensure the quality of the transcripts, a trained researcher listened to the recordings of the interviews while reading the transcripts, which allowed the research team to correct any errors that had occurred during the transcription process. Revised transcripts were entered into NVivo 10.0, and data were analyzed using thematic analysis that included open and axial coding (Corbin, 2004; Strauss & Corbin, 1990). Case analyses were also performed to identify differences in perception between CEOs and employees regarding diversity, diversity management, and performance. The following steps were taken to identify themes: (i) transcript review, (ii) code creation, (iii) definition of code parameters by review of direct quotes, and (iv) refinement and finalization of the codes. Researchers crosschecked information about specific organizational characteristics between the transcripts, websites, and hard copy resources.

4 | RESULTS

4.1 | Workforce diversity

There were two main defining elements of diversity in social enterprises. First, organizations with low age and value diversity demonstrated high levels of other forms of diversity, such as in terms of gender, sexuality, race/ethnicity, and education. Second, boards and TMTs demonstrated low diversity in regard to gender, age, and race/ethnicity. Table 2 shows the themes from this study.

TABLE 2 Themes from the analysis

Subthemes	Main themes
Surface-level workforce diversity	Workforce diversity
High gender and race/ethnicity diversity	
Low age diversity	
Deep-level workforce diversity	Diversity perception
High education diversity	
High sexual orientation diversity	
Low value diversity	
Diversity, but not in top management team and board members	Diversity management
Importance of diversity	
Organizational growth	
Diversity as a universal value	
Unintentional acquisition of diversity	
Accepting differences and allowing time for unification	Relationship between diversity, diversity management, and performance
Implementation of internal events	
Recruitment	
Human resource management	
Promotion of flexibility in organizational culture	
Promotion of innovation and creativity	
The growing needs for diversity management	

4.1.1 | Surface-level workforce diversity

High gender and high race/ethnicity diversity

Five enterprises showed high surface-level workforce diversity, with employees demonstrating a range of characteristics including gender, age, race, and ethnicity. Interviewees from these organizations reported having an even gender balance and people with diverse cultural backgrounds in the office. This finding indicates that social enterprises tend to embrace diversity. It is commonly believed that diversity should be valued; however, gender and race/ethnicity inequality in for-profit and public organizations still exists. In social enterprises, gender and race/ethnicity inequality appears to be less of a concern:

I was very pleased to talk about diversity in our chapter. Our leadership of eight (or sometimes seven) consists of five women and three men. We have a variety of ethnic groups. So myself (an African American), other African Americans, [we] also have Caucasians and Asians in our diverse group. We are diverse in age; we have some middle-age members of our leadership team as well as millennials and in between. We value even sexual orientation in diversity. I mean, we have everything working for us, and that also includes the advisory board.

(Case E, President)

Low age diversity

Of the seven enterprises, two included diverse age groups within their organizations but five had low age diversity. Social enterprises are a relatively new type of organization, thus younger people may have more opportunities and greater access to social enterprises. Employees at social enterprises are likely to be younger than employees in other types of organizations, and to thus be less diverse in terms of age, suggesting that age diversity is an area where social enterprises may wish to consider focusing more attention. One interviewee noticed that a large proportion was drawn from younger generations, but not from older ones. The younger organizations in our sample were less likely to demonstrate age diversity. In consequence, older people are likely to be a minority in a social enterprise and the organization needs to consider the possibility of their social exclusion:

One thing that I have observed is [that] there is a lot of diversity within the social enterprise community, but often times it is without interaction between generations, and I guess that is the main lack of diversity – where there are people who are my age working in



social enterprise, but usually consulting with people of their own generation, and then there are the younger ones, the millennials. (Case E, CEO)

4.1.2 | Deep-level workforce diversity

High education diversity

Various levels of education among workers in social enterprises were observed, and typically varied based on the degree of professional knowledge or skills that the employees in question needed to complete their tasks. Unlike other types of organizations, social enterprises that aim to assist the poor and the homeless by providing employment opportunities are more likely to have employees without undergraduate degrees. In contrast, their TMTs are more likely to include employees with undergraduate or graduate degrees. This creates a high level of education diversity among employees. These educational differences can hinder communication and cohesion, meaning managers should provide opportunities for mingling among educationally diverse employees. Regarding recruitment and promotion, managers should consider the competency of workers rather than the highest level of education obtained.

High sexual orientation diversity

Although sexual orientation can be classified as either a component of surface-level or deep-level diversity, we consider that sexual orientation is less likely captured by appearance. Characterizing sexual orientation by appearance could cause stereotypes or prejudices that are negative results of diversity. Thus, we placed sexual orientation into the deep-level diversity category. Interviewees stated that they were likely to be accepting of sexual orientation diversity. Social enterprises tend to pursue social justice and disavow discrimination and social exclusion. The participants were aware of the fact that Lesbian, Gay, Bisexual, and Transgender (LGBT) people should be respected and not discriminated against, and this was reflected in workforce sexual orientation diversity. The findings indicate that sexual orientation was not a factor to human resource management in social enterprises, rather a potential employee's fit for the position took precedence:

I think the composition of employees is definitely from diverse backgrounds, in terms of where people are from geographically, where they went to undergraduate school, what kind of degree, and what kind of background they had. (Case D, Worker)

We even have diversity of sexual orientation. I mean, we have everything working for us. (Case E, President)

Low value diversity

Overall, high deep-level diversity was identified in environments where workers shared a common social mission with others. These environments exhibited higher levels of organizational commitment and performance. This represents low value diversity, which positively affects strong organizational culture and organizational cohesion.

4.1.3 | Diversity, but not among the top management team and board members

Even social enterprises with diverse regular employees have faced challenges encouraging diversity in their TMT and board members. In our sample, there was a predominance of Caucasian men on TMTs and boards. The participants acknowledged the need for diversity in the TMT and on their board; however, they stated that there are complicated challenges to increasing diversity in this regard. Board members are required to donate funds to organizations. This requirement limits the promotion of diversity, which in turn leads to greater numbers of older, Caucasian men on the board. For example, among the participant enterprises, one social enterprise requires board members to make a 10,000 US dollars personal contribution, which is obviously unachievable for a large portion of the employment base:

Our staff is very diverse at the grassroots level, the case manager level, and the next level of supervision. However, the top staff level is not very diverse and we recognize that as a problem. We are concerned about it, because it is important that we make sure that the strategy and the things that we implement are appropriate for the community we serve. (Case A, CEO)

4.2 | Diversity perception

4.2.1 | Importance of diversity

Participants were aware of the importance of diversity in the governance of their social enterprises, perceiving diversity as a force for good in their organization that would help them become more successful. As society has grown more diverse with globalization, people expect greater diversity in organizations in the future. This makes diversity an even more important issue for social entrepreneurs:

Absolutely, I think diversity helps. I think diversity is a backbone of innovation. It really creates a dynamic leadership that could solve problems, issues, and think about things that one group or another or too much of one side would not. Having a diverse leadership team is essential.

(Case E, President)

4.2.2 | Organizational growth

Interviewees believed that increasing diversity within their organizations could help them grow. Organizations can obtain a wider range of strategic ideas from employees with diverse backgrounds, and such ideas can play a crucial role in meeting the needs of consumers, as well as the broader social issues that such enterprises seek to address. Prior research shows that diversity promotes organizational creativity and innovation, which in turn affects organizational growth (Bell, Villado, Lukasik, Belau & Briggs, 2011):

[Diversity] is essential. I think that is why our organization was able to grow.

(Case E, President)

4.2.3 | Diversity as a universal value

The participants regarded diversity as a value all organizations needed to implement, and agreed that diversity is a common value based on human rights and dignity. The constitutions of a number of countries state that humans pursue diversity and that nations should embrace diversity and combat discrimination against people with specific characteristics. This ideal also affects social enterprises. Participants stated the need to value and implement diversity within their organizations:

I feel like [diversity is] valued. And then I feel like... it's always been said that diversity will be better because you get more people together, you get better thoughts, you get better production of things. And I think the key with those, it has to be valued.

(Case D, Worker)

4.3 | Diversity management

We observed two types of organizational diversity in social enterprise: one in which the TMT intentionally worked to promote diversity and another where they did not. The former considered diversity in recruitment and internal decisions and was relatively unique, as most social enterprises have little in the way of official regulations, systems, or policies for diversity management.

4.3.1 | Unintentional acquisition of diversity

Some enterprises indicated that the diversity in their organizations was achieved naturally through their hiring process. That is, they did not intentionally consider organizational diversity as a factor in recruiting. For these respondents, the value of diversity was inherent; therefore they did not feel a need to expressly accommodate it in their hiring decisions:

I would say we're very fortunate at F that we have a very diverse workforce, very diverse, especially the management team. And we're able to do that without having paid specific attention to it. We didn't have to do that. Because the way we've been telling our story to the world has attracted [a] very diverse pool of applicants for work.

(Case F, President)



4.3.2 | Accepting differences and providing time to become united

Interviewees emphasized that accepting differences among employees and producing integrative results takes time, thus indicating that integrative results are valuable. They strive to provide a voice to the greatest degree possible and attain consensus through active communication:

I think some people bring up things that others did not think of, and vice versa; it adds to the overall work that we do. None of us can explicitly say we know exactly what it's like for this kid, but I think collectively we have different experiences that can layer and determine what makes most sense. (Case F, Worker)

4.3.3 | Implementation of internal events

Some social enterprises, such as other companies, host social events that allow workers to interact. These events provide opportunities for employees from diverse backgrounds to communicate and build mutual understanding. Such events are informal, although they are held within the organization so that workers can feel more comfortable and are more open to others. It helps them understand each other and thus increases organizational cohesion:

We do like a lot of team activities, so on Monday we just have a game night and so we play board games, we play video games together, we ordered dinner and so everybody hangs out together, but we also make sure that everybody's spouses and girlfriends, boyfriends, everyone can come and so that way we get to know each other in a more personal way, too. We do like reviews quarterly of people, and then I think the big thing is really transparency. . . .they feel like they're part of it. (Case C, CEO)

4.3.4 | Recruitment

Some CEOs and presidents stated that they consider diversity during the hiring process. They also analyzed the diversity composition of their workers and boards in order to better understand what types of diversity they should attempt to foster in their management strategies. However, even these individuals were not likely to have a formal policy or system for diversity management:

Enhancing diversity was a primary focus. . . .being in Los Angeles, California, a very diversity state, I wanted to make sure that the representation of our leadership team was also reflective of our community we serve, we work with every day and so that it's [sic] not easy. (Case E, President)

4.3.5 | Other human resource management policies

Interviewees suggested that it is difficult to accommodate diversity in all of its many forms, for example, religious holidays. As social enterprises are unlikely to be large organizations, it may be challenging to accommodate diversity in a flexible manner. One strategy that management teams have enlisted is to promote diversity among the leadership teams so that a variety of opinions and perspectives can be represented. This indicates the substantial role of leadership in governing social enterprises. That is, having diversity in leadership facilitates the implementation of diversity management policies:

It is very difficult, but we definitely look into holidays when people need them, when people need time with families, different age requirements, not having some events late at night because if you are older, you are not necessarily looking to be out that night. So, having a diverse leadership team is essential. It is very important. (Case E, President)

4.4 | Relationship between diversity, diversity management, and performance

All respondents asserted that diversity exhibited positive effects on an organization by improving flexibility and creativity in its culture and by improving overall performance. Moreover, how diversity is managed moderates the relationship between diversity and organizational performance.

4.4.1 | Promotion of flexibility in organizational culture

Interviewees believed that organizational diversity forms the flexible culture of an organization. Organizations with diverse employees should be flexible in accepting and coordinating differences in their organizations, otherwise, discrimination against certain types of employees or organizational conflicts can occur and can negatively affect organizational performance. Therefore, organizational diversity helps social enterprises to be flexible and contributes to prompt responses to social change:

I think it created a culture of like, openness, it created a little bit more [of a] global view of the world. (Case C, Worker)

4.4.2 | Promotion of innovation and creativity

Participants stated that diverse opinions positively affect innovation and creativity. People from diverse backgrounds are likely to bring up a variety of viewpoints and ideas, which can lead to innovative ideas to achieve organizational performance. In a competitive environment, it is crucial that social enterprises are creatively responsive. Having diverse viewpoints and characteristics promotes innovation and creativity, which in turn allows for greater competitiveness in the business environment:

I think there is all these kind of myriads of experiences. I feel like there is something that, diversity, it is always been said that diversity will be better because you get more people together, you get better thoughts, you get better production. (Case D, President)

4.4.3 | The growing need for diversity management

All respondents mentioned the growing need for diversity management in social enterprises. Although they were unlikely to explicitly measure how diversity affects organizational performance, they all believed in its positive effects. It is likely that these beliefs reinforce their efforts to implement diversity management policies and practices. Participants perceived that effective diversity management can resolve problems related to diversity and reinforce the effects of diversity on performance.

5 | DISCUSSION

This study explored workforce diversity, diversity management, and organizational performance in social enterprises by analyzing qualitative data obtained by interviewing 14 employees of social enterprises in Los Angeles, California. Social enterprises often feature high workforce diversity. This diversity was identified at both surface (e.g., gender and race/ethnicity) and deep levels (e.g., education and sexuality) in our sample, implying that social enterprises value and embrace diversity.

However, low workforce diversity (e.g., age and value) was also observed. Employees were likely to be younger generations, thus social enterprises could work on improving age diversity. Interestingly, workers in social enterprises tended to share a common social mission, which indicates similarities in certain types of perceptions among employees. The similarity in values helps employees to share the organizational mission and increases commitment and performance.

Diversity was not evident among TMTs and board members. Certain expectations placed on board members, such as fundraising ability, high levels of technical experience, and elevated social status hinder efforts to diversify boards. It is imperative that social enterprises increase diversity in their upper management, an adjustment that could attract consumers from diverse backgrounds and catalyze short and long-term plans for success. Moreover, improving diversity on TMTs could help organizations to better and more fairly respond to diversity issues in the workplace.

Regarding the perception of diversity, participants working in environments with high workforce diversity were eager to discuss diversity in their workplace and related a positive image of diversity. Interviewees from social enterprises reporting low surface-level diversity were aware of the need to promote organizational diversity. It can be argued that organizations that aim to contribute to positive social change and resolve social issues are inclined to value diversity.

Another important finding from this study was that diversity has a positive effect on performance, corresponding to previous study results (Cho & Mor Barak, 2008; Harrison, Price, & Bell, 1998). Diversity encourages a creative and flexible organizational culture that facilitates organizational innovation and change, which in turn produces economic and social benefits. Participants believed that embracing diversity could provide social enterprises with an opportunity to grow as organizations and that the availability of diverse ideas could be linked to

organizational success. However, the impacts of diversity were not empirically observed, therefore there remains a need to examine the association between diversity and performance using quantitative data.

Overall, social enterprises were less likely to manage diversity through formal organizational policies and systems, although all recognized the need for diversity management. Some organizations implemented a few official diversity management policies, such as organizing internal social events and considering diversity in recruitment. However, these official policies and systems were insufficient. In order to prevent or resolve the potential drawbacks arising from a diverse workforce and improve team cohesion, social enterprises should initiate and implement diversity management policies, such as affirmative action, diversity committees, work-family balance, and diversity training. Kellough and Naff (2004) emphasized the important role of leadership in managing diversity, and the head of a social enterprise can play a crucial role in implementing diversity management programs.

While this study was conducted on an urban environment in the US, the findings and discussion can be applied to social enterprises in Asian countries, as the diversity issues faced by the sample are also relevant to Asian counterparts. For example, workers at social enterprises in South Korea may be diverse in terms of gender, race, and ethnicity, but the TMT is more likely to be composed of Korean men. In addition, social enterprises in South Korea are not likely to implement diversity management policies, regardless of need. In South Korea in particular, about 70% of social enterprises are of the job-creation type, and thus hire members of various types of minority groups, such as the disabled, the aged, and women from multicultural families. In this regard, managing diversity is imperative and will directly influence organizational performance. Thus, social enterprise researchers and managers of Asian social enterprises should consider the findings of this study in order to manage diversity in their organization more effectively.

The findings show that the social enterprises sampled did not actively implement diversity management policies. However, they were aware of the importance of diversity management and intended to initiate diversity management policies and practices in the near future, perceiving that they would impact organizational outcomes. This finding shows a diversity-friendly organizational culture, although it has not been made explicit.

6 | CONCLUSIONS AND POLICY IMPLICATIONS

Our results revealed that social enterprises feature relatively high workforce diversity but there remain some areas where there is room for improvement. The findings suggest that promoting diversity on TMTs and boards and intervening when low diversity characteristics are evident can help to create and sustain diverse work environments. Moreover, although the social enterprises in our sample were likely to value diversity, efforts to formally manage diversity were limited. In order to sustain social enterprise, social entrepreneurs need to consider the results of prior research, indicating the positive relationship between diversity management and organizational performance (Groeneveld, 2011; Lim, 2010). We recommend that diversity policies and systems be initiated and implemented when hiring, evaluating, and empowering employees. Affirmative action, diversity committees, work-family balance, and diversity training for employees are suggested as potential diversity management policies. As prior studies on discrimination and minorities have suggested, social support policies can also be considered to manage diversity (Cheon & Chung, 2016; Wen & Hanley, 2016). In terms of enforcement, it is difficult to require this only of social enterprises; however, if the government establishes anti-discrimination laws or initiatives for all types of organizations, social enterprises can follow these same laws or initiatives.

Future studies are needed to identify the differences between styles of diversity management in different organizations based on characteristics such as industry type, service type, organizational scale, employee composition, and consumer characteristics. Additional gender-sensitive research (e.g., Chan & Shaw, 2016) would contribute to diversity research, as relevant knowledge is limited. Finally, we recommend further research into the relationship between diversity and performance, as well as into the moderating role of diversity management in this relationship, using larger and more representative samples. We were not able to provide a comparison between social enterprises and other types of for-profit or non-profit organizations. Future studies are needed to examine the relationship between diversity, diversity management, and performance with a sample that includes a variety of types of organizations. This study introduces the concept of diversity and diversity management to discourses on social enterprises, laying the groundwork for expanded future research.

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How to cite this article: Cho S, Kim A, Mor Barak ME. Does diversity matter? exploring workforce diversity, diversity management, and organizational performance in social enterprises. *Asian Soc Work Pol Rev*. 2017;11:193–204. <https://doi.org/10.1111/aswp.12125>