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DIVERSITY MANAGEMENT AND ITS ORGANIZATIONAL OUTCOMES:
WHERE STRATEGIC HUMAN RESOURCES MANAGEMENT FITS IN

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A Dissertation submitted to the

Graduate School-Newark

Rutgers, The State University of New Jersey

In partial fulfillment of the requirements

For the degree of

Doctor of Philosophy

School of Public Affairs and Administration

Written under the direction of

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Newark, New Jersey

May, 2010

ABSTRACT OF THE DISSERTATION

**DIVERSITY MANAGEMENT AND ITS ORGANIZATIONAL OUTCOMES:
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The effects of workforce diversity and diversity management have received much attention in recent years. These studies share the concern that without empirical data to support their positive outcomes, workforce diversity and diversity management cannot be widely accepted by public managers.

The objective of this dissertation is thus to examine the relationship between workforce diversity, diversity management and minority employee turnover rate, one of the most important organizational outcomes. With this objective, it seeks to address the following issues:

1. How does a strategic diversity management system (SDM) affect workforce diversity and minority employee turnover rate?
2. Which diversity management practices among SDM contribute to the above results?
3. How does workforce diversity affect minority employee turnover rate?
4. Does workforce diversity differ between entry-level employees and professional employees?
5. If there is such a difference between these two groups' diversity, how does this difference affect their minority employee turnover rates respectively?

This dissertation also recommends applying strategic human resources management theory to diversity management. It argues that diversity management

would achieve its best results when implemented as a synergetic system. Accordingly, it suggests a strategic diversity management framework and discusses its outcomes.

ANOVA and regression analysis were conducted on a sample of 24 agencies in New Jersey state government. The overall findings demonstrate that agencies with better diversity management systems tend to have higher workforce diversity and lower minority turnover rate. The findings also show that diversity management practices as a whole generate positive organizational outcomes, even though some of these practices may not be effective individually. The findings indicate that there is more diversity in entry-level job positions than in professional-level positions. Moreover, at the entry level the minority employee turnover rate is negatively affected by workforce diversity, while at the professional level there is no noticeable effect on the turnover rate.

ACKNOWLEDGEMENTS

I am indebted to many people for this dissertation, which would not be possible without their help, encouragement and support. I am especially grateful to my advisor, Dr. Norma Riccucci, who introduced me into the field of public human resource management, and guided me through the dissertation writing process. I appreciate to a great deal her countless contributions to this dissertation: the research framework, the discussion and the invaluable help with the writing itself. As a great mentor, she showed me different ways to approach a research problem and then demonstrated the persistence needed to accomplish any goal.

I am also grateful to my other committee members: Dr. Hindy Schachter has been a source of inspiration and consultation from the very beginning. She led me into the topic of citizen participation and offered many valuable suggestions on how to revise this dissertation. Dr. Farmbry asked good questions and helped me think through my problems. Dr. Thompson offered insightful comments and reviewed my work on a very short notice.

I would like to thank my colleagues, Dr. Anthony Trotta, Dr. Chimezie Ozurumba, Dr. Wenxuan Yu, and Weiwei Lin. This dissertation benefited from our many discussions. Thank you all for generously sharing your time and ideas.

I would like to extend my gratitude to Ms. Gail Daniels, Ms. Melissa Rivera, and Ms. Madelene Perez. They offered a lot of administrative assistance and facilitation, and are always patient with me and supportive to my study and research in SPAA.

I must thank my best friend, Yanyong Zhang, who for so many years stands by me as a source of encouragement. Without your love, kindness and support, I would not have been able to finish this dissertation.

Finally I would like to thank my parents, Xiaoqing Ma and Zhongping Zhang, and my dear sister, Hua Ma. Words cannot express how much I appreciate your unconditional love. Thank you for supporting me throughout my doctoral program and for believing in me all these years.

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INTRODUCTION

Background

Changing American demographics demand an innovative vision to embrace the new workplace. Although previously treated as a problem to be dealt with, employee diversity constitutes an asset to organizations, particularly when they strive to meet the demands of their heterogeneous client populations. Thus, the time has come to be proactive in celebrating diversity among employees, which mirrors the actual heterogeneity of this country. Whereas traditional research has made substantial progress, we have noted that deficiencies make decision-makers reluctant to accept diversity management, especially in public administration. Opportunities are being missed to maximize organizational benefits in both the private and public sectors. Therefore, in-depth empirical research on diversity management is sorely needed.

Purpose of This Study

A main objective of this study is to provide empirical evidence that sheds light on the positive relationship between diversity management and workforce diversity, and the impact of workforce diversity on an important organizational outcome-- employee turnover rate. It also seeks to investigate diversity management in a strategic human resources management paradigm. In summary, this study aims at exploring the origin, nature and consequence of workforce diversity, and elevating the importance of diversity management in the public sector.

This study first sets out to clarify the definition of diversity management (DM), which has been creating confusion for years, even among scholars. It then seeks to apply strategic human resources management theories to diversity management practices and identify the connection between strategic diversity management and

organizational outcomes, especially how strategic diversity management practices as a whole could lead to better results in public organizations.

The ultimate goal of this study is to enhance the understanding and appreciation of workforce diversity and its management among scholars and practitioners in public administration. In summary, its goal is to approach workforce diversity and diversity management in public administration from a different perspective, to identify potential barriers to the acceptance of diversity management by public managers and employees, to relate this topic to the more encompassing paradigm of strategic management, and to encourage academic dialogues on this topic.

Significance of This Study

First, as an increasing number of researchers have recognized, diversity is a strategic resource and effectively managing this resource would bring organizations sustainable competitiveness. In this study, we approach diversity from the strategic human resources management (SHRM) perspective in the light of sustainable competitive advantage theories. Along with many SHRM scholars, I will argue that diversity is a strategic resource with rare, inimitable, and non-substitutable characteristics. Effectively managing this strategic resource would improve public organizations' performance and decrease their employee turnover rate. The question then follows as to how can we strategically manage this resource.

Previous researchers have been too addicted to the "numbers" aspect of diversity management. Diversity management practices cannot be based upon studies that simply link characteristics of employees with organizational outcomes, with no attention to the interactions among employees and the causal relationship of their interactions with the outcomes. To understand how to manage diversity, we need to examine the managing process and its consequences in the work environment. As a

result, my research fills the aforementioned gap by analyzing how to optimize diversity management implementation from the strategic management perspective.

The distinguishing characteristic of SHRM is its emphasis on HR systems instead of any individual HR practice as the driver of organizational performance improvement. Applying this SHRM principle to diversity management, we advocate diversity management with a system of well-connected diversity management practices, as well as the integration of this system into the organizational strategic goal.

Second, there are many normative or descriptive studies on diversity management claiming its great effectiveness in improving organizational performance, increasing productivity, encouraging employees' commitment, and ultimately changing organizational culture. These normative or claimed benefits, however, will not attract employers in the absence of hard evidence. According to Wise and Tschirhart (2000), among all the diversity management studies, studies focus on diversity management's organizational outcome only count 19.9 percent. Given the emphasis in the literature on the organizational-level benefits of diversity management, the lack of empirical research on organization-level outcomes is disturbing. This will also decrease the likelihood that the findings of research on diversity can be directly applied to implementation efforts in the public sector. In order to convince management teams, data and hard evidence that diversity management adds value to organizations and their employees will have to be provided. In order to increase managerial acceptance substantially, relevant research that presents the value added by diversity management initiatives should replace simplistic claims and non-rigorous research (Ivancevich and Gilbert 2000). Therefore there is an urgent need for related empirical studies. To fill this void, my study will focus upon

diversity management programs in New Jersey state government to examine whether they affect the workforce diversity and other organizational outcomes such as employee turnover rate as hypothesized.

Third, as Wise and Tschirhart (2000) claimed, many case studies and articles based on equality and diversity training-related issues have appeared in public management journals, whereas hypothesis testing and non-case-study articles on diversity are completely absent. It is clear that this body of research is led by the journals dominated by writers from business schools and psychology departments (15 percent of total articles appeared in the *Academy of Management Journal* and 9 percent in the *Journal of Applied Psychology*). To fill this gap, I will use a hypothesis-testing methodology to examine the causal relationship between diversity management, workforce diversity and minority employee turnover rate.

Finally, given the importance of representative bureaucracy where minorities enjoy equal opportunities to be hired and progress to policymaking positions, it is essential to know that agencies at all government levels are engaged in various efforts to achieve this objective. There are already some researches on this topic at federal governmental level. In this study I will sample 24 New Jersey state governmental agencies to broaden empirical research in this field. I will also examine the extent to which New Jersey state government agencies have adopted diversity management initiatives, and their progress in achieving workforce diversity, which is a stated strategic mission for New Jersey state government.

Organization of the Dissertation

After the Introduction, Chapter One starts with a review of the changing demographics of America and its workplace, which have far-reaching implications for strategic management of human capital, and warrant further research in workforce

diversity and diversity management. This chapter will then address the development and perceptions of workforce diversity, and the related contrasting theories and empirical findings.

Chapter Two also provides a review of the definition of diversity management and how it is distinguished from Equal Employment Opportunity and Affirmative Action. This issue is important for building a consistent literature and also has implications for diversity management implementation and how it affects organizations. Then it follows a general discussion of diversity management in the public sector, with a special focus on its importance for representative bureaucracy, as well as the limited research on this topic and the related implementation problems.

Chapter Three begins with a general discussion of strategic human resources management; it then discusses the importance of integrating diversity management into overall organizational strategic human resources management efforts. Finally strategic diversity management is introduced and its framework is discussed.

Chapter Four explains my research design and methodologies. First, it describes the organizations studied, their population sample, and other background data. Second, it discusses the research objectives and research questions. Third, in the light of the theoretical framework presented in the previous chapter, it defines variables and outlines hypotheses. Finally it summarizes the data analysis procedure.

Chapter Five presents results and findings. It first presents the descriptive information on the diversity score (MV) change at the agency level from 2002 through 2007. Second, it summarizes the statistical findings of ANOVA test. Third, it presents the regression analysis results. Finally, it summarizes the findings and discusses their meaning. It's mostly based on the results of testing our hypotheses, but it also includes some important findings from the ANOVA test.

Chapter Six outlines several managerial implications to highlight the main contributions of the study to the field of public administration. Finally it presents alternative research options. The limitations of the study are discussed and a direction for future research is also suggested.

CHAPTER ONE

WORKFORCE DIVERSITY

This chapter starts with a review of the changing demographics of America and its workplace, which have far-reaching implications for strategic management of human capital, and warrant further research in workforce diversity and diversity management. This chapter will then address the development and perceptions of workforce diversity, and the related contrasting theories and empirical findings.

Diversified Population

Profound changes in US demographics in the past decades require that human resource management must have long-term perspectives in managing human capital, the most important strategic resource in government.

Since the late 1980s, the composition of the US population has undergone a steep curve of change. According to the 2000 Census, 27.9 percent of the US population was classified as minorities, and this ratio is projected to increase to 50 percent by 2050. These changes in demographic composition directly influence workforce diversity. In 1987, Johnston and Packer predicted, in terms of overall employment, that women, African Americans and immigrants would account for 85 percent of all net entrants in the US workforce between 1985 and 2000, whereas white males would account for the remaining 15 percent. Fullerton confirmed in 1999 that white non-Hispanic males would only compose 30 percent of the new workforce.

Statistics have shown that governmental workforces are becoming increasingly diverse. In 1987, Johnston and Packer predicted there would be a rapid and intense change in public workforces. Mishel and Teixeira (1991) predicted there would be greater heterogeneity in the future governmental workforce, but they believed that the changes were more likely to occur at an incremental pace. Chambers and Riccucci

(1997) reported a decline in the participation of white men in the workforce, an increase of white women, and a remarkable increase of women of color in the workforce. They also reported a steady increase in the age group of forty and above, and they predicted that by 2008 the same age group would constitute a majority of the civilian labor force for both women and men.

Bureau of labor Statistics reported there is a decline in white employees' participation in the workforce, from 86.1 percent in 1988 to 81.4 percent in 2008, and they predicted it will decreased to 79.4 percent in 2018. Meanwhile, African American, Hispanic, and Asian employees have enjoyed a steady increase in their workforce shares from 1988 to 2008, and will keep the same trend in 2018.

Table.1 Distribution of the Labor Force by Age, Gender and Race, 1988, 1998, 2008 and projected 2018

Age, gender, and race	Level				Percent distribution			
	1988	1998	2008	2018	1988	1998	2008	2018
Total, 16 years and older	121,669	137,673	154,287	166,911	100.0	100.0	100.0	100.0
16 to 24	22,536	21,894	22,032	21,131	18.5	15.9	14.3	12.7
25 to 54	84,041	98,718	104,396	105,944	69.1	71.7	67.7	63.5
55 and older	15,092	17,061	27,857	39,836	12.4	12.4	18.1	23.9
Gender:								
Men	66,927	73,959	82,520	88,682	55.0	53.7	53.5	53.1
Women	54,742	63,714	71,767	78,229	45.0	46.3	46.5	46.9
Race:								
White	104,756	115,415	125,635	132,490	86.1	83.8	81.4	79.4
African American	13,205	15,982	17,740	20,244	10.9	11.6	11.5	12.1
Hispanic	8,982	14,317	22,024	29,304	7.4	10.4	14.3	17.6
Asian	3,718	6,278	7,202	9,345	3.1	4.6	4.7	5.6

Source: Employment Projections Program, U.S. Bureau of Labor Statistics

Demographic diversity will also introduce behavioral diversity

The change in demographic characteristics of the labor pool will lead to a change in the organizational environment (Kellough 1990). These changes have “far reaching implications for the way that public institutions are to be led and managed in

the future” (Loden and Loeser 1991, 21). Scholars also believe that enhanced heterogeneity is likely to introduce a wide range of new behavioral patterns into public organizations (Schachter 1993; Riccucci 1997). For example, African-American workers employ different communication styles from their white counterparts (Foeman and Pressley 1992). In addition, employees who adopt a “career primary” style would work differently from those who are more oriented towards a “career-and-family” track (Schwartz 1995).

In the light of this phenomenon, human resource experts and practitioners are turning their attention towards managing diversity endeavors. In order to hire and retain qualified personnel, harness the creative energy of employees, and form a common bond among diverse members of the labor force, we must change traditional practices and styles of management.

Workforce Diversity

Definition of diversity

Workforce diversity has been increasingly pursued and discussed since the influential Hudson Institute reports of the late 1980s. The concept itself, however, did not appear in the reports, nor was it specifically defined by any federal organization. In practice, the concept of workforce diversity has taken on a number of connotations (Johnston 1988). Some writers identify diversity as an affirmative action goal and others take it as the reflection of demographic heterogeneity of a local or national community (Coleman 1990).

In their survey, Carrel and Mann (1995) found that there was no solid agreement on the meaning of workforce diversity. They also pointed to confusion between diversity and EEO/AA among public academics and practitioners. Even Carrel and Mann themselves have had difficulty in differentiating diversity from diversity

policies or programs. This is reflected in their definition of workforce diversity as “a category of agency’s policies, programs, and environment which encompassed a wide spectrum ranging from the fruit of EEO/AA compliance on the one hand and a variety innovative idea about organizational make up and culture on the other” (Carrell and Mann 1995, 108).

Clearer definitions of diversity came later. Cox (1995) referred to diversity as “the collective mixture of human differences and similarities along a given dimension” (1995, 246). Dobbs (1996) defined it as any perceived differences among people (1996). Jackson and colleagues (2003) referred to it as the distribution of personal attributes among interdependent members of a work unit. Klinger (1997) argued that a comprehensive and precise definition of workforce diversity should be “the range of employee characteristics that are increasingly present in the contemporary workforce of the United States and other developed countries.”

Diversity dimensions

No law or common source exists as to what components or characteristics should be included in diversity considerations. Most people agree that race (92.9%) should be one important dimension of workforce diversity, and other commonly agreed factors are gender (85.1%), culture (86.1%), national origin (76.8%), and disability (71.2%) (Carrel and Mann 1995). Many scholars agree that dimensions of workforce diversity should also include religion, sexual preference, age, profession, organizational or team tenure, personality type, functional background, education level, political party, and other demographic, socioeconomic, and psychographic characteristics (Wise and Tschirhart 2000). For example, Riccucci (2002) predicted that there would be even greater diversity based on ability, sexual orientation, and

nationality after observing that changes to the workforce go well beyond race, ethnicity, gender, and age.

Jackson and colleagues (1995) classified diversity attributes as task-related and relation-oriented. Relation-oriented diversity includes demographics such as age, sex, and racial ethnicity. These attributes usually affect interpersonal relationships but do not have direct impact on performance. Task-related diversity refers to the distribution of performance-relevant attributes, including function, tenure, education, etc., which are likely to be related to the knowledge, skills, and abilities needed in the workplace. They also found that some diversity attributes can be readily detected, such as titles, organizational tenure, and education level, whereas the discovery of others, such as knowledge or expertise, may require organizational members' personal acquaintance.

The Effects of Diversity

Historical development of diversity perception

Early scholars in organizational theory presumed that workers should share the same values, beliefs, and attitudes about work to be at their most productive. Additionally, early work on diversity assumed that differences ought to be eliminated. The underlying rationale is that whoever already holds a position possesses appropriate skills and behaviors, and newcomers thus need to adapt or copy those skills and behaviors (Schein 1975). Later, the opinion that “difference is deficient” gave way to that of “difference is better.” For example, influenced by Japanese organizational theorists, scholars in America realized that women may improve organizational productivity since they possess different qualities such as being ready to listen, attention to non-verbal cues, cooperation, and non-authoritarian leadership (Baird and Bradley 1979). Also, Foeman and Pressley (1987) found in their survey

research that black managers showed better understanding of black cultural values, language behaviors, and social perspectives than their white counterparts.

Fine, Johnson and Ryan (1990) argued that neither “difference is deficiency” nor “difference is better” is appropriate because of the hierarchical order inherent in skills or behaviors. Similarly, Gilligan (1982) raised a question about the appropriateness of comparing men and women within the same cultural framework. According to her, for better understanding of organizational behaviors, scholars should recognize the uniqueness of the gender and racial background of employees which define the different experience of each employee within their own set of cultural systems. She advanced the diversity theory “difference as difference.” The “difference as difference” approach seeks to confront diversity directly to understand its meaning, to understand employees’ perception of their working environment, and ultimately to improve the working environment and organizational productivity.

Contrasting theories on the effects of diversity

The findings of previous research suggest that diversity could be both an opportunity to improve productivity and a challenge for organizations. Some researchers suggest that workforce diversity may cause more conflicts among employees, lower job satisfaction and higher turnover rate (Jackson et al. 1991). Whereas advocates of diversity in the workforce would argue that a heterogeneous workforce may bring in more perspectives, thus triggering more creative thinking and offering better decision-making in the end (Cox, Lobel, and McLeod 1991; Watson, Kumar, and Michaelsen 1993).

Recently, Scott Page in his *The Difference: How the Power of Diversity Creates Better Groups, Firms, Schools, and Societies* has contended that progress and innovation depend upon diversity in groups, rather than upon lone thinkers with high

IQs. Through mathematical modeling and case studies, Scott finds that diversity produces better outcomes. He finds that “*diversity trumps homogeneity*: collections of people who rely on homogeneous perspectives and heuristics outperform collections who rely on homogeneous perspectives and heuristics” (Page 2007, 10, emphasis in original).

There are two major theoretical perspectives on the effects of diversity. One perspective, based on information and decision-making theory, propounds that diversity will bring a broad range of ideas and skills based on differences into organizations, which will benefit in the long run by improved capability in decision-making and problem-solving (Cox 1993).

The other perspective, based on social identity theory, holds that diversity may compromise organizational effectiveness by triggering more conflicts and miscommunication among employees (Tsui and Ohlott 1988). According to social identity theory, a diversified organization, by definition, is one that has employees from different groups, and will have predictable conflicts since people will exhibit a favorable bias toward those viewed as members of their in-group, and they will view themselves as being in conflict with out-group members. Turner and Haslam (2001) argue that in-group members assume they will have shared interests and goals; therefore they will cooperate with each other. Furthermore, they observed that this in-group versus out-group categorization needs minimal information to be obtained through interaction. Some readily detectable personal attributes such as gender, ethnicity, organizational tenure, and age would sufficiently stimulate this categorization (Ashforth and Mael 1989; Turner et al. 1994).

When members of a work team share similar attributes (low diversity), team members are likely to view each other as belonging to the in-group. In a

homogeneous team, higher levels of in-group identification result in more cooperative behaviors (Kramer 1991). In a heterogeneous team, however, the apparent dissimilarity among team members inhibits in-group identification, which translates into low cooperation among team members (Kramer 1991). Therefore the conclusion was that this categorization of people in terms of in-group or out-group behavior will obstruct cooperation while increasing competitive behavior among employees (Brewer 1995).

Empirical research on diversity effects

Studies on diversity effects show mixed findings regarding whether diversity improves or decreases organizational productivity for most diversity dimensions.

Some scholars have found that gender diversity positively affects organizational performance (Jackson and Joshi 2003; Rentsch and Klimoski 2001), whereas others infer a negative relationship between the two (Jehn and Bezrukova 2003). There are also studies revealing that no significant relationship exists between these two variables (Richard 2000; Watson, Johnson, and Merritt 1998). Pazy and Oron (2001) conducted research on the effects of gender diversity on the rated performance of military officers, and found that gender diversity influenced the performance of women but not that of men.

According to Pitts (2005), most studies on the effects of racial or ethnic diversity were conducted in the 1950s and 1960s (Hoffman and Maier 1961; Katz, Goldston, and Benjamin 1958; Levy 1964). They are out of date and irrelevant to today's social values. On the other hand, studies conducted more recently have shown mixed findings. Some studies found that racial diversity positively affected organizational performance (McLeod and Lobel 1992; O'Reilly, Williams and Barsade, 1997; Richard, 2000). Others were either not clear whether racial diversity

affected organizational performance (Watson, Johnson and Merritt, 1998) or found that they were negatively correlated (Pelled 1997; Timmerman 2000).

Findings with respect to age diversity were also mixed. Some researchers found positive effects of age diversity on organizational performance (Kilduff, Angelmar, and Mehra 2000), whereas Timmerman (2000) found no significant relationship between age diversity and organizational performance when the job task required little interdependence and even found a negative relationship when the task required interdependence.

Although scholars agree that demographic diversity may negatively affect organizations, they have also noticed that such negativities can be avoided through effective diversity management. Simons, Pelled, and Smith (1999) pointed out the importance of the team process in moderating and mediating the effects of diversity on organizational financial performance. Choi (2008) pointed out that demographic diversity may negatively affect organizations by increasing turnover rate and lower job satisfaction among employees. Diversity management, however, could moderate this effect as a contextual variable. According to Choi, demographic diversity would positively affect employees' job satisfaction and lower turnover rate with effective diversity management. Conversely, demographic diversity would remain negative if the organization has not implemented diversity management successfully.

CHAPTER TWO

DIVERSITY MANAGEMENT

This chapter reviews the definition of diversity management and its distinction from equal employment opportunity (EEO) and affirmative action (AA). This issue is important in building a consistent literature and also has implications for the implementation of diversity management and its effects upon organizations. In addition, this chapter discusses diversity management in the public sector, highlights its importance for representative bureaucracy, and examines the limited research on this topic and related implementation problems.

Defining Diversity Management

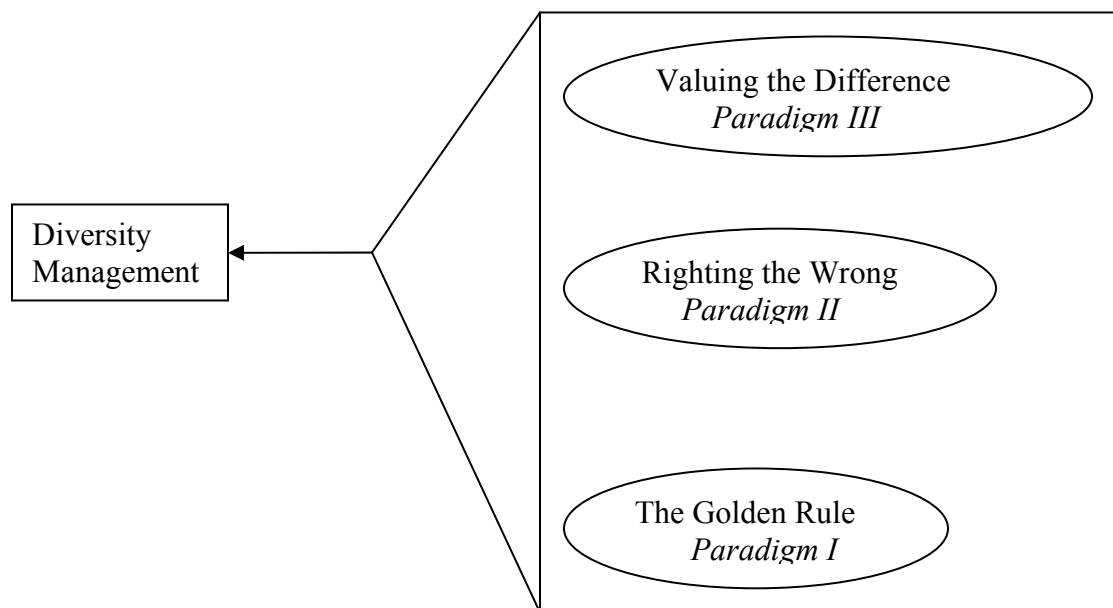
Facing rapidly changing demographics in the general population, many organizations realize that their success lies in optimally utilizing this richly diverse workforce (Naibitt and Auburdene, 1990). Scholars agree that in an era of intense foreign and domestic competition and changing labor composition, promoting diversity is a strategy for sustaining organizational growth. As stated by Riccucci (2002, p. age xiii, “It has been a matter of competitive survival . . . the old style of managing heterogeneous workforces is proving to be ineffective, and so management strategies aimed at embracing diversity are essential.” Valuing diversity is thus an important strategy for managing today’s workforces.

Palmer’s theoretical framework and its application to the definition of diversity management

As proposed by Palmer (1989), there are three paradigms of for valuing diversity. First, there is “the golden rule,” according to which managing diversity is a matter of

individual responsibility and morality. Second is “righting the wrong”: establishing equality and justice for the target groups through remediation. Because specific groups in the organization may have been systematically disadvantaged, there is a need for diversity efforts to remediate past injustices. In the third paradigm, called “valuing the differences,” the individuals work toward understanding and interacting effectively with other organizational members (Figure 1). Palmer places these three paradigms in hierarchical order: only when employers have accomplished the lower paradigm can they move to the higher one. But he also argues that to create a high-performance organization, managers should include all three paradigms in human resource management strategies, through valuing and utilizing all the talents of the different groups of employees.

FIGURE 1. Palmer’s three paradigms for defining diversity



Narrow or broad definition of diversity management

Because diversity management follows demographic changes in the workforce, some scholars believe that there accordingly should be changes in the management function to emphasize gender and race. Organizations following this approach attempt “to recruit, retain, reward and promote minority and female employees” (Ivancevich and Gilbert, 2000, p. 77), hoping to ensure adequate representation of all groups in the organization (Pitts, 2009).

Some scholars, however, worry that this narrow definition would make the organizational cultural transformation incomplete. In his influential article “From Affirmative Action to Affirming Diversity,” Thomas (1991) initiated the movement to expand the scope of diversity management beyond race and gender. He contended that managing diversity should mean managing all differences, including age, background, education, job function, and personality. He also believed that managing diversity should be a mechanism used by managers to create an environment where no one is disadvantaged and every employee performs to his or her potential.

Thomas’s idea has been supported by a number of researchers. In his book *Developing Competence to Manage Diversity*, Cox (1997, p. 2) defined managing diversity as “creating a climate in which the potential advantages of diversity for organizational or group performance are maximized while the potential disadvantages are minimized.” Gilbert, Stead, and Ivancevich (1999, p. 61) defined diversity management as “a voluntary organizational program designed to create greater inclusion of all individuals into informal social networks and formal company programs.” Ideally, such management is not about setting quotas for minority representation or avoiding

discrimination or bias, but should be a self-conscious, programmatic approach affecting the policies, culture, and structure of an organization that comprises a diverse workforce (Wise and Tschirhart, 2000). In a broader view, diversity management is “the commitment on the part of organizations to recruit, retain, reward, and promote a heterogeneous mix of productive, motivated, and committed workers including people of color, whites, females, and the physically challenged” (Ivancevich and Gilbert, 2000; p. 77)

There is still debate over the narrow versus the broad definition of diversity management. Some scholars are concerned that the broad definition would actually obstruct diversity management, as it does not have a clear goal (Harrison and Sin, 2006). Valuing every component of a diversified workforce means equally empowering each dimension, but organizations could thus lose their focus (Konrad, 2003). Also, scholars worry that promoting diversity for larger pools of workers could become an excuse for avoiding continuing problems in achieving equity for racial minorities and female employees (Morrison, 1992; Caudron and Hayes, 1997). Addressing these concerns, Ford and Fisher (1996) suggested that diversity management should be defined according to specific and situational needs, based on the goals and issues of each organization. Therefore they suggested that organizations conduct needs assessments before launching their diversity training programs.

Distinguishing DM from EEO and AA

From its inception, diversity management purposely differentiated itself from equal employment opportunity and affirmative action to include more diversity dimensions and avoid backlash from white males. However, many practitioners still have difficulties in

distinguishing DM from EEO and AA. Some practitioners just renamed their old EEO programs “diversity management,” without changing any of their functions. Kellough and Naff (2004) surveyed a selection of federal agencies and discovered that some of their diversity management functions should be more correctly called EEO or AA programs. Even scholars have found substantial disagreement among themselves as to whether diversity management is different from EEO and AA (Carrell and Mann, 1993).

Equal Employment Opportunity (EEO)

Equal employment opportunity rules and laws were developed in response to discriminatory practices against persons based on race, color, gender, religion, national origin, disability, age, and so on. Serious attention was not given to preventing workplace discrimination until 1964 when the cornerstone of EEO law, Title VII of the Civil Rights Act, was passed. The same protection was extended to public employees with the passage of the Equal Employment Opportunity Act in 1972. EEO is largely considered a legal means of preventing or ending discrimination in the workplace on the basis of the aforementioned characteristics (Ricucci, 2002).

Affirmative Action (AA)

Affirmative action is distinguished from equal employment opportunity in that AA tries to remediate previous discrimination, not just to end present discrimination. AA embodies proactive efforts to redress past discrimination and to diversify the workforce in terms of race, ethnicity, gender, physical abilities, and so forth. It requires more commitment from organizations to make efforts to recruit, hire and promote people from different backgrounds (Brown, Snedeker, and Sykes, 1997). As made clear by Ricucci (2002), AA is more proactive than EEO, which is largely viewed as legal obligation.

Academics also have concerns about AA programs. First of all, these programs usually narrowly focus on one group and exclude others. Second, race and gender are the most-focused-upon areas of AA programs, while other differences tend to be left out. Most importantly, in order to favor one group's representation, some organizations rush into hiring with loose standards, which violate the assumption that organizational advancement should be based solely on merit (Naff, 2004). Therefore researchers are turning their attention to diversity management (Klingner, 1997; Riccucci, 1991).

Diversity Management (DM)

Diversity management represents an extension of equal employment opportunity and affirmative action and has become a crucial element in organizational sustainable advantages. However, there are critical differences between them.

First, EEO and AA are generally seen as legal approaches that mandate the hiring of minorities by public policy, while diversity management programs are voluntary and motivated by organizational self-interest (Carrell and Mann, 1995).

Second, diversity management and affirmative action differ in employees' perceptions of them. Since its enactment, affirmative action has received strong support from many, but also much criticism from others. Its critics contend that "quota-based" programs lead to the hiring of unqualified minorities (Whitmire, 1984; Yang et al., 1995) and as a result effectively constitute reverse discrimination. Whereas affirmative action may have negative implications, diversity management gets better reception from employees, because it does not focus on "the numbers." Furthermore, it is intended to create a competitive advantage in the areas of cost, resource acquisition, marketing, creativity, problem solving, and organizational flexibility (Cox and Blake, 1991).

Third, affirmative action largely focuses on the status of women and minorities in organizations, while diversity management goes beyond race and gender to include such differences as age, profession, sexual preference, nationality, lifestyle, tenure with the organization, and position (Thomas, 1991). As many proponents claim, diversity management encompasses all the ways in which people differ from one another, to maximize their ability and ultimately to improve organizational productivity (Fernandez, 1999; Thomas, 1990, 1991; Naff, 2004).

Fourth, affirmative action programs are largely viewed as a means of bringing a greater number of minority employees into an organization, and most organizations have centered their efforts on hiring. Diversity management focuses on creating a culture that values and appreciates differences. This strategic goal requires organizations to make major, systematic efforts to change (Bowens et al., 1993). For this reason, diversity management is an organizational paradigm (Bowens et al. 1993; Giraldo, 1991) that moves beyond a human resource model based solely on legal compliance to one suggesting the inherent value in diversity (Gilbert et al., 1999). Affirmative action differs from diversity management in that while the former serves as an important component of human resource management, the latter serves as an important component of the entire organization's strategic goals and represents an organizational cultural change designed to foster the appreciation of demographic, ethnic, and individual differences (Gilbert et al., 1999).

In summary, EEO and AA opened the door for minority and female employees, but it is diversity management that creates a work environment that welcomes and nurtures all employees (Carr-Ruffino, 1996). DM is different from AA and EEO in that it has a

broader definition and it is about an organization's inclusiveness, not exclusiveness. According to Roosevelt Thomas (1991, p. 168), "Managing diversity is a comprehensive managerial process for developing an environment that works for all employees, including white males." Similarly, Cavanaugh (1997) stated that diversity management is simply not going to happen without much more support from a range of groups, including white males. Cox characterized this "all-inclusiveness" as "a collective mixture of human differences and similarities along a given dimension" (Cox, 1995; p. 246). AA or EEO are major components of DM, but DM goes beyond them. The most important aspect of DM should be "valuing the difference," with individuals working toward understanding and interacting effectively to create a friendly and productive working environment.

The Effects of Diversity Management Programs

The proponents of diversity management keenly expected positive outcomes. In their qualitative research, Carrell and Mann (1995) summarized some positive effects of diversity management. From the organizational aspect, diversity management could help in the hiring and retention of skilled employees, reflecting the reality of today's workforce, and create more ideas for solutions and problem solving. From the employees' perspective, diversity management could help build a better role model for minority and female employees and aid them in their professional growth; it could also improve employees' understanding of and sensibility to the differences among themselves.

According to the International Personnel Management Association (IPMA) Benchmarking Committee, diversity efforts in the workplace can facilitate the exchange of new perspectives, improve problem solving by inviting different ideas, and create a

respectful, accepting work environment. Other researchers believe that effectively managed diversity can lead to decreases in frustration and turnover for women and people of color (Cox and Smolinski, 1994; Cox and Blake, 1991). Moreover, there is empirical evidence supporting the view that diversity management has a positive spillover effect in the workplace (Gilbert et al., 1999). In a recent replication of the Heilman et al. (1992) study, Gilbert and Stead (1996) found that women hired by organizations that valued diversity were seen as more qualified for the jobs they held.

After reviewing the arguments and research data, Cox and Blake (1991) asserted that managing diversity created competitive advantages for organizations. They summarized four major benefits of managing diversity:

Reduced costs from lower turnover rates and absenteeism

Although it's difficult to quantify the monetary benefits of diversity management, Cox argued that managing diversity could lower turnover rates and absenteeism, indirectly decreasing costs for organizations. Some empirical research on orthodox pharmaceutical estimates about \$500,000 in savings from a lower turnover rate of female and minority employees (Mercer, 1988). Cox's research also revealed that the more a company accommodated pregnant employees by providing flexible schedules, the lower the number of sick days taken by them, and the more willing they were to work overtime during pregnancy.

Maintained best human resources when labor pool shrinks or changes

Wilson (2008) worried that there soon will be a talent shortage both in Europe and the U.S., and advised that organizations take vigorous steps now to avoid it. Whitmell (2002) also argued when facing the challenge of an aging population, organizations

should make succession plans to prepare for the large-scale retirements of the coming years. Therefore attracting and retaining excellent employees from now on would be an inevitable task for them.

Improved marketing efforts

The insights and cultural sensitivity derived from a diversified workforce improve an organization's marketing efforts in many important ways. Because markets are becoming diversified along with the general population, organizations that have diversified their sales groups would improve their market shares and sales in many ways. Cox argued that multicultural sales groups may facilitate selling goods or services, as customers from minority cultures may be more likely to give patronage to a salesperson from same background.

Creativity and better problem solving ability

A diversified workforce would bring a range of perspectives into organizations, increasing creativity, and make better decisions. Nemeth's research (1985) reveals that minority employees stimulate some alternative views that are not obvious to other group members. She also found that the level of critical analysis of decision issues and alternatives was higher in groups with minority views than in those without them (Nemeth, 1985; Nemeth and Wachtler, 1983). Kanter (1983) noticed that innovative companies deliberately establish heterogeneous teams to bring in a multiplicity of views. Also, diverse groups have a broader and richer base of experience from which to approach a problem, and therefore have the potential for better solutions and decision making. In sum, diversified workforces offer a variety of perspectives, and higher levels

of critical analysis through minority influence could increase organizational competitiveness.

In summary, many scholars optimistically believed that, when implemented successfully, diversity management could provide plenty of benefits to organizations, including better communication and understanding among employees, retention of excellent employees when the labor pool shrinks, responsiveness to social and demographic changes, reduced costs, fair working environments, improved productivity, and increased sales and profits (Morrison, 1992; Wise and Tschirhart, 2000; Rangarajan and Black, 2007).

Negative effects of diversity management programs

Bergen, Soper, and Foster (2002) argued that although diversity management was expected to bring all of the above benefits, it potentially has negative effects on organizations as well. Delikat (1995) agreed that diversity management would not be beneficial to all organizations. In their study on the effectiveness of diversity training, Rynes and Rosen (1995) found that 50 percent of their respondents described their diversity training results as neutral or mixed, and 13 percent believed theirs to be largely or extremely unsuccessful. Carrell and Mann (1995) found negative effects such as more employees' relation issues, lower morale and resentment from groups that perceived themselves as nonfavored, and increased costs. Bergen et al. (2002) believed such negative responses result from poor implementation of diversity management programs.

Bergen et al. (2002) summarized that there are two major negative effects of diversity management: devaluation of employees and reverse discrimination. Some diversity management programs that embrace a lot of affirmative action functions end up

devaluing employees. The major reason for the devaluation stems from a false assumption that diversity hiring is strictly based on quotas. Employees who believed this would assume that those minority and female employees are token appointments and that such employees have lower qualifications compared with themselves. One devastating effect of this prejudice is that people hired by diversity programs lose confidence in themselves and hence perform below their abilities. Bergen also worried that when minority or female employees get promoted or make progress in their careers, they cannot enjoy it fully because of suspicions that their advancement resulted from diversity management.

Reverse discrimination is another concern Bergen notes. Research shows that white males felt they were left out in hiring and promotion when organizations rushed in diversifying their workforce demographically. Some white male employees believed they were discrimination victims, punished for being members of a group that generally or historically benefited from employment privilege. Bergen argued that although diversity management should still work on remedying the historical discrimination against minority and female employees, its negative effect of reverse discrimination is also worth noting. Scholars agreed that some diversity efforts excluding white males would end up being counterproductive for organizations. Furthermore, such efforts would isolate minority and female employees, creating a hostile environment for them and eventually increasing divisiveness and animosity (Capowski, 1996; Bond and Pyle, 1998).

Diversity Management in the Public Sector

Representative bureaucracy theory

Although diversity management gets enthusiastic support from both the public and the private sectors, public agencies should be particularly motivated to pursue this goal, according to the representative bureaucracy theory.

The general idea of representative bureaucracy is that government would be more responsible to its citizens if its workforce mirrored the demographic characteristics of the public it served (Krislov and Rosenbloom, 1981; Meier, 1975; Nachmias and Rosenbloom, 1973; Selden, 1997).

The British scholar J. Donald Kingsley (1944) has always been credited with being the person who came up with the idea of representative bureaucracy. He believed that because public agencies' employees affect public policy implementation, they should reflect democratic ideals. However, Kingsley's representativeness is different from what is commonly accepted in the U.S. in that he focused on social class rather than demographics.

David Levitan (1946) extended Kingsley's representativeness into U.S. bureaucracy. He agreed with Kingsley that the public would be more accepting of government's actions if the latter's demographic composition reflects that of them. Krislov (1974) advanced this theory by adding the concept of socialization. He believed that some demographic characteristics, like race, gender, and ethnicity, are the bases to initiate socialization, whereby people share values and beliefs. Therefore representative bureaucracy is the bridge between government and the public it serves. From the general public's perspective, representative bureaucracy works as a symbol that government will

make and implement public policies based on values or beliefs similar to theirs, eventually fulfilling their interests. Meanwhile, Krislov argued that jobs in the public sector represent a high level of social status; therefore representative bureaucracy stands for another symbolic meaning as everyone has access to this social status. Finally, Krislov believed that representative bureaucracy is beneficial to government in that the diversified employees bring in different values and skills from different segments of society, resulting in a broader view and better decision-making ability in government.

Limited research on diversity management in the public sector

There is an increasing but still relatively small amount of research revealing diversity initiatives in the public sector. For example, Jamieson and O'Mara (1991) only included one public organization example in their survey research; Morrison (1992) similarly only cited one public sector agency in her study of leadership diversity. Nevertheless, they found fewer instances of proactive approaches to current and future workforce diversity. Loden and Loeser (1991) also noticed that progress in the federal government seemed to be considerably slower than in the private sector. Similarly, Hamman, Desai, and Mitchell (1993) found cause for concern over the future ability of local governments to compete effectively with private employers for qualified employees.

Furthermore, empirical evidence about the consequences of diversity management in public organizations is limited, and many of the existing studies present conflicting and inconclusive findings. Public managers who want to integrate a managing-for-diversity approach into their leadership behavior and the policies, structure, and culture of their organizations are likely to have a difficult time identifying lessons from the literature that can be reliably applied to actual work situations (Wise and Tschirhart, 2000). Ivancevich

and Gilbert (2000) also found that although there is a lot of government, corporate, and individual support for managing diversity, there is a clear lack of studies that rigorously, systematically, and empirically support diversity management's benefits.

Implementation problems

Although "managing diversity" has become a catchphrase in both academic and practice, there are still problems for its implementation. Financially, public organizations have not invested as heavily in diversity programs as their private counterparts have, even though their commitment to diversity is no less (Chambers and Riccucci, 1997). This situation is largely due to the administrative strain on most public agencies and the limited budgets of these organizations (Mathews, 1998; Chambers and Riccucci, 1997).

On the implementation side, Riccucci (1997) found five major problems with various diversity management programs. First, because most organizations passively implemented diversity initiatives in accordance with federal mandate, they mostly chose sexual harassment classes or reasonable accommodation initiatives only to avoid legal issues. Second, Riccucci noticed that most diversity initiatives took the backseat in organizations, compared with programs that provided quick fixes or directly affected organizational profits or market share. Third, some diversity initiatives were actually just EEO or AA programs with a name change — "old wine in a new bottle. Fourth, Riccucci also noticed (2002) that although there had been an increase in the percentages of people of color in federal, state, and local government workforces, they continued to be concentrated in lower-level, lower-paying positions. Higher-level professional jobs were still dominated by white men.

Finally, Riccucci highlighted the backlash facing all diversity management programs. Reverse discrimination became a problem when the white employees felt they had been left out or taken advantage of by these diversity programs. Also, there was a hidden “low merit” assumption among white employees, who believed that organizations lowered their standards to hire minority employees. The most destructive problem within diversity management is its “effects unseen.” As we discussed before, because there is no hard data to show the positive relationship between diversity management and organizational performance, both managers and employees have suspicion about diversity initiatives.

In conclusion, Riccucci argued that most destructive backlash or problems with diversity management in government occurred because the employers didn’t connect diversity initiatives with the organizations’ strategic goals. To successfully implement diversity management programs, and to realize diversity’s competitive advantage, organizations need to implement diversity management programs with cultural change, which includes continual improvement and management accountability.

In summary, although diversity management is crucial for public organizations, the related research is limited. There are also many problems with the programs’ implementation. It is the suggestion of this study that the best way to manage diversity would be to incorporate diversity management into the organizational strategic goals and to implement it with overall culture change. In short, diversity management programs should be part of the organization’s overall strategic human resources efforts, as discussed in the next chapter.

CHAPTER THREE

STRATEGIC DIVERSITY MANAGEMENT

This chapter begins with a general discussion of strategic human resources management (SHRM) and then proceeds to discuss the importance of integrating diversity management into an organization's overall strategic human resources management efforts. Finally, it outlines the strategic diversity management framework and addresses the possible organizational outcomes.

Strategic Human Resources Management (SHRM)

Facing globalization, technological revolution, and demographic shifts, managers have been challenged to redefine the long-standing assumptions about organizations and management. More and more researchers agree that core competencies and capacities of organizations lie in their employees, who traditionally have been less visible (Pfeffer, 1994; Snell and Youndt, 1996). The emergence of SHRM came from the desire of researchers to demonstrate the importance of HR practices in organizations by connecting them to organizational performance (Delery and Doty, 1996).

Definition of SHRM

McGregor (1988, p. 941) referred to SHRM as “strategic management of a strategic resource.” Guest (1989) noted that SHRM “fully includes HR in strategic planning; that HR policies cohere both across policy areas and across hierarchies, and that HR practices are accepted and used by line managers as part of their everyday work.” Schuler and Walker (1990) defined SHRM as “a set of processes and activities jointly shared by HR personnel and line managers to solve people related problems.” In 1992, Schuler referred to SHRM as “all those activities affecting the behavior of individuals in their effort to

formulate and implement the strategic needs of business.” Huselid, Jackson, and Schuler (1997, p. 177) regarded SHRM as designing and implementing “a set of internally consistent policies and practices that ensures a firm’s human capital to contribute achieving its business objectives.”

Snell and Youndt (1996) defined SHRM generally as “organizational systems designed to achieve competitive advantage through people.” According to the researchers, this broad definition has several advantages. First of all, it still puts an emphasis on the combination of HR practices rather than individual personnel practice. Second, this definition allows researcher discretion to investigate this field from two perspectives. One is strategy implementation, which means connecting HR practices to existing organizational strategies; the other is strategy formulation, which means initiating a harmonized HR system that drives changes in organizational culture for future strategies. Many scholars agreed with the second one (Lengnick-Hall and Lengnick-Hall, 1988; Snow and Snell, 1993; Ulrich and Lake, 1991). “At its root, the concept of strategic choice implies creating a competitive context, not simply adapting to the existing one.” (Snell and Youndt, 1996, p. 371). Most importantly, Snell and Youndt argued, this definition emphasizes both HR practices such as training, promotion, selection, and compensation, and the people who are in the organization. The authors believed that the combination of employees’ skills and competencies provides the real underlying competitiveness of an organization, and with this broad definition they encouraged a shift in research to address this unique advantage.

Wright and McMahan (1992) emphasized the importance of defining SHRM differently from traditional HRM, because they believed that much confusion in the field

was caused by the vaguely defined SHRM. They advocated that SHRM be defined as the pattern of planned human resources deployment and activities intended for an organization to achieve its goals. They argued that this definition connects HR practices with the strategic management process of an organization not only vertically but also horizontally, by emphasizing the coordination of all HR practices through a planned action. They contended that this definition monolithically distinguished SHRM from traditional HRM.

As discussed above, definitions of SHRM vary, but most authors agree that the essence of SHRM is that employees are viewed as valuable assets and that HR works like a synergistic set of practices to develop and implement an overall plan to gain sustainable competitive advantages for organizations (Delery and Doty, 1996; Barney and Wright, 1998; Lepak and Snell, 1999; Kaufman, 2001).

Origin and theoretical development of SHRM

While most scholars believed that the study of SHRM is a relatively new body of research (Dyer and Holder, 1988; McMahan, Bell and Virick, 1998; Wright and McMahan, 1992), Kaufman (2001) claimed that John R. Commons originated the idea of SHRM in 1919. In his paper “Industrial Goodwill,” published in *American Academic*, Commons regarded employees as valuable organizational resources. He also presented a strategic choice framework regarding bundles of HR practices, defined participative management (which Kaufman regarded as the predecessor of SHRM), and explained why it may affect organizational performance and in what particular HRM model it would fit. From the mid-1960s to the mid-1970s, SHRM rapidly gained in popularity due to domestic and international competition as well as changing technologies and social

values. The growth in SHRM was also partly the result of the rapid emergence of strategic management (McMahan et al., 1998). Wright and McMahan (1992) believed that before such emergence, SHRM had not involved much integration of practices. Instead, “each of the various functions have evolved in relative isolation from one another” (Wright and McMahan, 1992; p. 295). They argued that only since then have researchers started to investigate this field from a more macro-level perspective, which can accurately be called SHRM.

Following this macro-level perspective, Huselid (1993, 1995, and 1997) advanced SHRM research. He noticed that today’s organizations operate in such a way that their performance increasingly relies on employees’ discretion, even that of relatively low-level employees. Huselid believed that employees’ discretion plays a critical role in SHRM because it enables them to respond quickly to changing circumstances without seeking permission from upper management. According to Huselid, this increasing reliance on one another would lead to reciprocal interdependencies, which could boost employees’ commitment and attachment to the organization as well. In this way, employees would have incentives to make efforts to better perform on their jobs. Huselid also argued that SHRM would help organizations recruit and retain high-quality employees, positively affecting organizational performance. There are many other authors who agreed with Huselid. Lado and Wilson (1994) claimed that SHRM could improve employees’ competence and commitment, which are essential to giving organizations a sustainable competitive advantage. Snell (1992) stated that SHRM would increase social complexity and causal ambiguity, which could serve as a barrier to imitation from competitors.

The premise of SHRM is that organizations adopt an integrated, synergistic set of HR practices that complement and promote the organizations' overall business strategies. However, there is no consensus as to how these HR practices should get integrated and which practices should be considered strategic.

Some researchers advocated a universal approach. They believe that some HR practices are always better than others and that organizations should adopt these best practices to maximize their productivity (Delaney, Lewin, and Ichniowski, 1989; Huselid, 1993, 1995; Osterman, 1994; Pfeffer, 1994). This approach focuses on micro-level research on HR, studying each HR practice's effects, and argues that some practices are more effective than others. For example, Pfeffer (1994) asserted in his research that employee participation, empowerment, training, and skill development result in higher productivity and profit across organizations. Similarly, Osterman (1994) contended that a number of innovative practices, such as job rotation, quality circles, and total quality management, can result in higher productivity for organizations.

Another group of researchers believed in a contingency perspective (Butler, Ferris, and Napier, 1991; Dyer, 1985; Fombrum et al., 1984; Lengnick-Hall and Lengnick-Hall, 1988; Schuler and Jackson, 1987). They pointed out that the organizational context is very important in determining the value of all kinds of resources affecting performance (Miller and Shamsie, 1996). Researchers with the contingency perspective argued that the relationship between independent variables and dependent variables changes according to the contingency variable. Therefore the strategic way to manage human resources is to have HR policies consistent with other aspects of an organization.

The third group of SHRM researchers adopted a configurational approach (Doty, Glick, and Huber, 1993; Doty and Glick, 1994; Meyer, Tsui, and Hinings, 1993). This approach differs from the previous two in its holistic view emphasizing an organic and functional relationship between the parts and the whole. In other words, configurational theory looks at HR on the macro level. These researchers argued that instead of focusing on an individual HR practice's effect on organizational performance, SHRM should focus on the pattern of multiple HR practices connecting to one another and affecting organizations together. Wright and McMahan (1992) further developed a theory asserting that organizations should develop HR systems that fit both horizontally and vertically. Vertical fit means that all the HR practices are consistent with one another; horizontal fit refers to the fit between the HR system and organizational characteristics, such as strategic goals or other management practices. In summary, authors with the configurational perspective often view SHRM as an internal consistent bundle of human resource practices, which function as a unified system (Dyer and Reeves, 1995; p. 656).

The first empirical study of the configurational perspective was carried out by McDuffie. He surveyed 63 automotive assembly plants and concluded that HR practices affected organizational performance better when they were bundled. Huselid followed this HR bundle, or system, approach and found that SHRM (or what he called high-performance HR practices) contributed to lower employee turnover rates, greater productivity, and better financial performance. Later Delaney and Huselid (1996) surveyed 590 profit and nonprofit organizations and confirmed a positive association between some HR practices, such as training and selection, with organizational performance. In another study Huselid, Jackson, and Schuler (1997) tested the impact of

human resource managers' capabilities on HR management effectiveness, and how the latter affects organizational performance. This research showed that U.S. firms are more capable in their technical HR capacity than in their strategic capacity. However, the researchers argued that there will be a ceiling effect on the organizational growth based on technical HR capacity. Consequently, development in SHRM would be critical to sustain an organization's competitiveness in the long run.

SHRM in the Public Sector

Transfer with caution from the private sector

As we discussed above, SHRM has been well established in the private sector literature. Students of public administration have been trying to transfer this concept to the public sector. However, as Tompkins (2002) argued, it is important to note that public organizations operate from a different paradigm from their private counterparts. Because they do not compete in a profit-driven market, public organizations do not develop business strategies as private sector organizations do. Also, most public agencies operate within a centralized policy-making system, and do not have the discretion to alter their own personnel policies. And most public agencies do not use performance-based appraisals or incentives to encourage their employees, though they do have performance measurement in place nowadays. Given these differences, SHRM cannot be transferred successfully from private sector literature without tailoring its design and implementation to accommodate the characteristics of public organizations (Tompkins, 2002).

After comparing public organizations with private organizations, Tompkins (2002) identified several characteristics or problems of SHRM in public organizations. First, despite SHRM's original purpose, to improve performance, most state or county agencies

implement SHRM to resolve problems. Second, although the significance of personnel managers' involvement in the strategic planning process has long been acknowledged, their current training does not prepare them well enough to be qualified for this "strategic" position. Third, because stakeholders of public organizations are different from those of the private sector, the strategies of public organizations will be more reflecting the political will of elected officials and other stakeholders.

Theoretical approaches

There is no single public SHRM model that attracts consensus. According to McGregor (1988), there are three approaches regarding SHRM in the public sector. One approach focuses on the strategic view of human resources practices. It emphasizes the operating side of human resources management and encourages organizations to integrate their selection, hiring, appraisal, and rewarding practices with the organization's overall strategic planning. The second approach treats human resources as a capital asset. Therefore SHRM means to manage this portfolio of assets to maximize its growth. The third approach offers a multiple role perspective. It requires managers to seek both external and internal fit in their organizations. For external fit, they are supposed to achieve a strategic fit between the external environment and the organizational goal; for internal fit, managers are required to connect all of the organization's resources. Ideally, this approach would enable organizations to establish links among strategic, tactical, and operational levels of management. McGregor advocated this view by claiming that the public workforce should be regarded as a strategic resource that entails strategic management. He further defined SHRM as a program managing the availability of people through the human resource management cycle — selection, performance appraisal,

compensation and rewards, and training and development — in ways that meet the strategic operating requirements of agency programs, productivity goals, and resource constraints.

Mesch, Perry, and Wise (1995) also support this fit approach to SHRM, but they pointed out that the framework outlined should not be implemented by organizations in a “one size fits all” manner. They argued that the idea of SHRM can be adopted by a wide range of public organizations, but its implementation should depend on those organizations’ mission, environment, and strategies. They investigated four aspects of human resource management systems: centralization or decentralization, uniformity or customization, specialist or generalist, and process and result. Compared with the traditional bureaucratic model, which is centralized, hierarchical, uniform, and dependent on personnel expertise, the authors concluded that SHRM emphasizes the decentralization and devolution of authority and seeks flexibility in both the decision-making process and employees’ positions. It values both line managers and employees as partners in determining policies. It also tries to break down excessive rules and regulations. Therefore managers can focus more on achieving the organization’s missions. The emphasis is on enhancing organizational performance. To successfully implement this SHRM model, the authors gave suggestions for improving ties between HR management and the organizational mission. Specifically, the authors suggested taking the following steps to achieve SHRM:

1. Linking human resources to the strategic planning process
2. Aligning human resources policies with organizational strategies
3. Developing personnel generalists

4. Delegating personnel administration and management responsibility
5. Training personnelists and managers
6. Developing results-oriented measurement systems
7. Creating information systems

Similarly, Teo and Rodwell (2007) studied SHRM in Australian public organizations and concluded that HR practitioners usually approach SHRM in two ways: by trying to urge HR managers connected more closely with line managers as strategic partners; and by transferring HR activities to line managers. The overall goal is to change HR's previously reactive and operational role, and get HR managers to proactively participate in strategy making.

Strategic Diversity Management

The field of SHRM has progressed in the last decade from a definitional and theoretical beginning to a more empirical research stage (Dyer, 1995; Legnick-Hall and Legnick-Hall, 1998; Wright and McMahan, 1992). There has been growing attention in SHRM literature that discusses the demographic changes in the U.S. workforce. As noted previously, most studies in the literature focused on the value or benefits of managing diversity. For example, Watson et al. (1993) found heterogeneous groups more creative in decision making and problem solving than homogenous groups. Cox et al. (1991) found minority employees' behavior more cooperative, because they often come from collectivist cultural traditions, compared with whites. There are also scholars who have addressed this topic on a more macro level. Fernandez (1993) suggested that valuing diversity would bring organizations access to sustainable competitive advantages.

McMahan, Bell, and Virick (1998) looked at the connection between workforce diversity and SHRM in a macro-level theoretical context.

Diversity is a strategic resource

The resource-based theory in SHRM suggests that organizations will gain sustainable competitiveness when they have valuable, rare, and inimitable human resources. A competitive advantage exists when a firm creates value for its customers in a way that is not being implemented by competitors (Barney, 1991). A sustained competitive advantage, on the other hand, exists only when other firms are incapable of duplicating the benefits that competitive advantage (Lippman and Rumelt, 1982).

Approaching diversity within SHRM was based on sustainable competitive advantage theories. Wright and McMahan (1992) argued that organizations should have rare, inimitable, and nonsubstitutable resources to be sustainably competitive, and workforce diversity qualifies these three characteristics.

Rare. Because high-quality workers themselves are rare resources in the workforce, resource-based theory argued, organizations that hire people without concern as to their age, gender, disability, or sexual orientation would increase their chances of getting higher-quality, better-skilled employees, which in turn would create a rare resource for them. On the contrary, organizations that exclude potential employees based on non-quality-related criteria like age and gender would limit their ability to get high-quality applicants (Wright, McMahan, and Williams, 1994). Further, when organizations take all applicants into consideration, they decrease the risk of encountering a shrinking labor pool of potential workers (Cox and Blake, 1991). McMahan (1998) concluded, if organizations could have diversified employees in various job categories, occupations,

and management levels, these organizations themselves would become rare in the industry.

Inimitable. “Inimitable” means that competitors cannot copy or duplicate your success (Hoffman, 2004). “Causal ambiguity” refers to the inability of a competitor to identify and therefore copy the factors responsible for an organization’s success (Lippman and Rumelt, 1982). “Path dependence” means that the long-standing organizational policies cannot be easily duplicated (Becker and Gerhart, 1996). Becker and Gerhart believed causal ambiguity and path dependence, when combined, may result in a fixed HR system that is difficult for other organizations to imitate. Barney, Wright, and Ketchen (2001) believed that competitors may copy individual HR practices, but when it comes to an HR system, which was developed over time, it would be unique to a particular organization and connected with specific human capital skills, thus inimitable. In the context of diversity management, when an organization has one diversity strategy that involves, among other things, recruiting, training, and performance evaluation, it would create a particular block particular problem for competitors to imitate.

Nonsubstitutable. Nonsubstitutable resources refer to those resources for which other organizations cannot find substitutes. McMahan et al. (1998) believed that workforce diversity is one nonsubstitutable resource for organizations. Because a heterogeneous workforce includes people from different backgrounds, they bring into organizations diverse knowledge, skills, and abilities. Employees in such organizations learn from one another and are motivated to perform their best, thus benefiting organizations maximally.

Strategic approaches in diversity management

An increasing number of scholars and executives are recognizing that managing diversity is not a quick fix but a strategic process that must be aligned with the organization's strategic plans and implemented as part of its business objectives. Laudicina (1995) found in her research that successfully managing diversity entails a commitment that goes beyond EEO and AA, embraces organizational cultural change, and makes diversity a priority in a company's strategic thinking. Klinger (1997) summarized that managing diversity can only be accomplished by organizational cultural change and as part of an overall business strategy to achieve high organizational performance. Mathews (1998) claimed that managing diversity requires an organizational commitment to appreciate, respect, and enjoy each person's uniqueness. This approach emphasizes the need for fundamental changes in policies, systems, and practices within the workplace to meet the needs of the new workforce (Jamieson and O'Mara, 1991; Thomas, 1991). It requires a new mind-set at all levels of company management, emphasizing the need to build a more constructive working environment, and a feeling of cooperative effort among employees.

A diversity manager of Xerox Corporation described his company's approach to diversity as "a process and not a program." He defined a program as actions of a short duration, designed to achieve a short-term or specific purpose, whereas a process is an ongoing part of conducting business. If implemented as a program, diversity management could not achieve promising results— if, say, it had only one shot at hiring, training, or targeted promotion. To work effectively, diversity management needs to blend into the whole HR system and have commitment from all levels of the organization.

There are a few critical writings on strategic diversity management from the perspective of implementation. For example, Riccucci (2002) addressed how to strategically manage diversity around gender, race, and ethnicity. She suggested that public organizations must ensure that women and people of color have access to all departments and agencies. In addition, governments at all levels will need to place greater emphasis on the promotion opportunities for women and people of color. Otherwise, resentment or lower morale may occur.

Based on interviews with managers from 16 organizations, Morrison (1992) enumerated 52 diversity practices and 23 accountability practices used in organizations to promote a culture of valuing differences. To develop a strong diversity program, she suggested the following six steps: collecting information to set priorities for diversity efforts, strengthening top management commitment, choosing solutions to fit a balanced strategy, demanding results, revisiting goals, and building on successes to maintain momentum.

Laudicina (1995) identified nine common elements of diversity management in several agencies.

1. A broad redefinition of diversity.
2. A systematic assessment of the existing organizational culture.
3. Top-level initiation (visible and continuous support and commitment from leadership) by mission or policy statement, a reporting relationship directly to the CEO.
4. Diversity management as a business issue. Moral imperatives and even legal requirements have less impact in persuading top management than an appeal to the bottom line. Executives believe that companies that cannot create an environment within which all workers can be productive will lose competitive ground to those that can.
5. Organizational visibility. Organizations need to establish new positions with distinct responsibility for developing and implementing diversity-related initiatives.
6. Separation from the human resources function.

7. Integration into the managerial performance/reward structure. For example, policy guidelines that encourage managers to be proactive.
8. Results monitoring.
9. Integration with total quality management (TQM). Emphasis on employee involvement, a commitment to top-level leadership, and responsiveness to client or customer needs, as well as statistical performance monitoring.

Similarly, Thomas (2006) also set forth a framework for implementing diversity management programs. According to the framework, management should clarify its motivations and visions for diversity, define concepts and the meaning of diversity, foster a long-term perspective, audit the corporate culture to identify the fundamental elements of the organization that influence or determine the company's philosophy about diversity, involve line managers, identify issues to be addressed, develop an action plan for change, emphasize education rather than training, and, finally, continue affirmative action efforts.

Kreitz (2008) also pointed out that, to fully benefit from diversity management and minimize the potential negative effects, organizations must manage diversity strategically. She further stated that a single-threaded diversity solution would not give organizations lasting results. Instead, to build and sustain diversity, systematic commitment from the organizational structure and processes is required.

In 2004, Kellough and Naff investigated diversity management programs in federal agencies. They summarized what is commonly included in these programs: ensuring management accountability; examining organizational structure, culture, and management systems; paying attention to representation; providing training; developing mentoring programs; promoting internal advocacy groups; and emphasizing shared values among stakeholders. They also concluded that there is wild variation in this respect. Some agencies may only rename their previous EEO/AA programs as “diversity

management,” while others may go so far as to connect diversity management with their strategic plans.

Pitts (2006) argued that diversity management is a multifaceted concept that includes three components: recruitment programs, programs aimed to increase cultural awareness, and pragmatic management policies. Pitts asserted that the need for recruitment is critical because of the lack of appropriate representation in government by some minority groups. He concerned that when scholars emphasized on broadening diversity definition, they may lose the focus of minority underrepresentation problem. Pitts argued that as long as there are potential positive outcomes of managing diversity, public organizations should actively approach them, and minority recruitment programs are the only way to achieve this goal.

In the same way, a comprehensive approach to diversity management should also include initiatives building cultural awareness. Pitts argued that organizations fostering cultural awareness would have a better relationship between diversity and performance.

Finally, Pitts contended, a complete diversity management model should also include pragmatic management policies. Such policies could include part-time work, flexible time, and generous family leave — arrangements that accommodate employees who are unable to make a rigid nine-to-five schedule. Having such policies in place would increase employees’ job satisfaction and appeal to a larger pool of potential employees. Pitts also realized that having these policies in place is more feasible for organizations with greater resources.

As showed in the following diagram, the three functions discussed above form the core of a comprehensive model of diversity management. Pitts argued that all diversity

management initiatives could find their roots in organizational mission and lead to the above-mentioned three functions.



Figure 2. Pitts's comprehensive model of diversity management

Strategic diversity management framework

The distinguishing characteristic of SHRM is that it recognizes the HR system instead of individual HR practice as the driver of organizational performance improvement. Based on the sustainable competitive theory above, organizations could enjoy the benefits of workforce diversity only when diversity works as an inimitable resource. Applying this perspective from SHRM to diversity management, we advocate that organizations implement a bundle of well-connected diversity management practices, as well as the integration of this system into the organizational strategic goal.

Diversity Training

Many scholars have long stated the importance of teaching employees the diversity goals and skills required to work effectively in a diverse workforce (Cox, 1994; Thomas, 1996; Fernandez, 1999; Chambers and Riccucci, 1997; Mathews, 1998). However, it is only in this decade that diversity training became a popular diversity management practice. In 1988 diversity training was not even listed among the 40 most popular training topics. By 1994 more than half of the organizations in *Training* magazine's annual industry survey reported offering diversity training. Currently, most government agencies and 60 percent of Fortune 500 companies provide their employees some kind of diversity training (Hemphill and Haines, 1997).

As many scholars have argued, there would not be substantial changes within organizations that only offer one-day diversity training (Ellis and Sonnenfeld, 1994; Chambers and Riccucci, 1997). Thus many organizations have stopped treating diversity training as a one-time effort. Instead, they have made various modifications to the practice. Some organizations provide diversity training at regular intervals (Carnevale and Stone, 1994). Others divide this training into several smaller subfields, such as awareness training for sexual harassment or AIDS. Also, some organizations integrate diversity into other training topics, such as management training, sales training, team-building training, and mentoring training (Gordon, 1995).

Sue (1991) argued that the best outcome of diversity training would be the ability to correct some wrong stereotypes among employees. There have long been some incorrect beliefs and attitudes about employees of different races and ethnicities. For example, some people believe that Hispanic and African American employees are intellectually

inferior; that Asian Americans are more technical-oriented, but unfit for management jobs; or that immigrants have taken away jobs that are supposed to belong to Americans. Contrary to these widespread misconceptions, statistics show that immigrants have created more jobs and financial resources than they took away (Johnston and Parker, 1987). Diversity training can provide managers with information and knowledge about racism, discrimination, and stereotypes from culturally diversified employees, which can help them to handle related issues more efficient. Only when managers and employees have in-depth understanding of prejudice and racism can they avoid these mistakes (Sue, 1991; McMahan, Bell, and Virick, 1998).

Diversity Promotion

Research has shown a higher turnover rate for minority employees than for white employees. One underlying reason is that women and minorities perceive that they have fewer opportunities to advance their careers after entering organizations (Federal Glass Ceiling Commission, 1995). Minority employees should feel that they are part of the team, that their values are recognized, and that their contributions are rewarded.

Sue (1991) noticed that the biggest obstacle from valuing diversity is that minority employees could not see enough opportunities to get promoted in their organizations. She argued it is hard for minority employees to perform their best at their jobs without a clear career path in mind. Therefore employees should get equal access to promotion regardless of their races, culture and ethnicities. Sue also pointed out that we should rethink the meaning of equal treatment. Most times, equal treatment means more discrimination. For example, she pointed out that most Asian Americans got denied chances for promotion into management because they were less vocal in meetings. In

this case, using equal examination criteria in promoting Asian Americans and other minority employees would be invalid. Equal access and treatment should mean the recognition of the different experiences, backgrounds and value, and behaviors accordingly among minority employees.

Diversity Hiring

The Employment Policy Foundation projected that there would be a shortage of millions of workers in the next few years, 10 million by 2015, and 35 million by 2030. Dychtwaid, Erickson, and Morison (2006) also predicted that with baby boom employees retiring, about 7 million people in key managerial, professional, and technical jobs could exit the workforce in the next ten years. This big shortage in the talent pool has already been observed. According to a national survey, more than 81 percent of hiring managers reported having difficulty in finding qualified candidates in 2006, and they anticipated it would be even harder in 2007 (Pomeroy, 2007). Because this shortage might limit organizational growth in the long run, both private and public organizations have started looking at minority workers as a promising labor pool (Doverspike, Taylor, Shultz, and McKay, 2000).

However, statistics showed that the current unemployment rate of African Americans is almost double that of whites, with the Hispanic rate falling between them (Bureau of Labor Statistics, 2000). Members of racial or ethnic minorities are more likely to be either unemployed or underemployed (Litcher, 1988; Zhou, 1993; Doverspike, Taylor, Shultz, and McKay, 2000).

Doverspike, Taylor, Shultz, and McKay believed that the underlying reason is that minority groups typically have believed that they have fewer opportunities for success in

American society, and that even when they succeed, they receive less recognition for their achievements. For example, African Americans have complained that there are always barriers undermining their educational and employment opportunities, and that they receive less support from their colleagues. Similarly, Hispanic workers reportedly perceive that they face greater barriers in educational and career success than whites. The authors hypothesize other factors affecting the underemployment or unemployment of minorities, including the lack of role models in organizations and the lack of access to social networks, which can hinder minorities from obtaining information about available jobs. Meanwhile, the likelihood of encountering discrimination or racism would also decrease the minority's chances of getting hired. Therefore, to increase minority hiring, organizations should make extra efforts in their recruitment. According to Doverspike et al., another reason affecting the underemployment of minorities is that most popular cognitive ability tests are not accepted by minority workers, who usually have concerns about the validity or fairness of such tests. Hence, public organizations face even more difficulties in maximizing minority recruitment while retaining their emphasis on merit-based selection processes.

Many scholars believe that diversity hiring has symbolic effects on organizations. Doverspike et al. (2000) suggested that minority job incumbents should be included in organizations' recruitment and advertising efforts. They believed that making successful minority employees part of diversity hiring efforts would send out a signal that the organization was committed to diversifying its workforce. It also would show that minority role models exist within the organization and that minority employees have a strong likelihood of success.

Burbridge, Diaz, Odendahl, and Shaw (2002) contended that diversity hiring also has cascading effects. They believed that hiring more than one female or minority board or staff member could make subsequent recruitment easier through their access to networks and talent pools.

Public sector organizations need more efforts at diversity recruiting, as they are facing strong competition from the private sector for the best and the brightest, while their limited budgets mean reduced compensation and financial incentives. To have public organizations fully benefit from the diversified workforce, scholars urged that employers make special efforts to ensure nontraditional employees get hired for positions at various levels (Morrison, 1992; Fernandez, 1999; Chambers and Riccucci, 1997).

Enforcing Diversity Initiatives

To coordinate employee behaviors, it is believed that managers need to perform both positive and negative sanctions. Organizations generally paid less attention to negative sanctions than to positive ones, as the former can discourage the deviance while the latter can encourage conformity (Beyer and Trice, 1981). Beyer and Trice (1984) emphasize that there were few empirical studies on this topic, and they focused on those variables affecting managers' decisions of negative sanctions, instead of their effects. To fill this void, we will investigate two negative sanctions in this study.

Scholars agree that discipline is unavoidable in managing deviant employees (Beyer and Trice, 1984). Some scholars have treated discipline the same as punishment (MacCarter and Caza, 2009; Arvey and Jones, 1985). Trevino (1992, p. 649) defined discipline as "the manager's application of a negative consequence or withdrawal of a positive consequence from someone under his or her supervision." Some scholars

believed discipline is more than punishment. Paul J. Champagne and R. Bruce McAfee (1989) argued that punishment is defined as “an undesirable event that follows an instance of unacceptable behavior and is intended to decrease the frequency of that behavior.” While discipline has three distinct meanings, they defined discipline as “the punishment for a violation of a work rule or direct order, the training that molds and strengthens the employees’ behavior and the control gained by enforced obedience.” The authors emphasized that this definition makes clear that discipline differs from punishment in that it has an educational function as well as a corrective one.

Empirical research shows there are both positive and negative effects of discipline. It can have direct effects such as discouraging a wrongdoer from repeating a behavior (Black, 1980; Beyer and Trice, 1984). For example, Kulik (2004, p. 163) described discipline as “a set of hammers . . . to pound out the problematic behavior.” (Cited from McCarter and Caza, 2009) Discipline also has indirect positive effects such as sending signals to other employees that this behavior is inappropriate. In this way, it reinstates the rules and social norms in organizations (Arvey and Ivanevich, 1980; Black, 1980). However, there are other scholars (Connellan, 1978; Luthans and Kreitner, 1975) who believed discipline may decrease undesirable behaviors in the short term, but can bring out more side effects, such as emotional reactions from disciplined employees, which are more difficult to handle than the original problems (Cited from Beyer and Trice, 1984).

Contextual or environmental factors

Top Management Commitment

Lots of researchers have found that commitment from top management in an organization is essential to the successful implementation of a diversity management

program (Dutton and Ashford, 1993; Chambers and Riccucci, 1997; Cox, 1994; Dobbs, 1996; Fernandez, 1999; Morrison, 1992). When top managers treat diversity as a competitive advantage resource, rather than a matter of fairness or legal requirement, they make extra efforts to push diversity management programs. They must also be willing to communicate the importance of diversity management throughout the organization (Naff, 2004). With the commitment from the top, diversity management programs guarantee their success by gaining commitment from all the levels of an organization, as well as the resources the programs require. For example, Morrison found that executives of 16 best practices in diversity management believed that workforce diversity and successful diversity management programs would help organizations gain market share, increase productivity, decrease turnover rates, and improve general managerial competence.

Alderfer (1992) and Morrison (1992) went further to suggest that having a diversified management team would facilitate the success of the diversity management program, as the management team would be more sensitive to diversity concerns if they had similar backgrounds.

Additional resources commitment

Naff (2004) argued that to have a successful diversity management program, public organizations need to have all sorts of resources commitment from different levels. For example, she suggested that the full diversity management menu should include a diversity resource center or diversity reading room, a formal and informal mentoring program, an internship program, a diversity council or group charter, and a regularly conducted organizational diversity survey. She also suggested that there should be one individual who is primarily responsible for the diversity management program's

implementation on a full-time basis, and most importantly, that there should be a specific budget amount designated for a diversity management program.

The success of diversity management is also likely to depend on the financial resources dedicated to it. For example, as Rynes and Rosen (1995) observed, strong financial support for diversity management permits organizations to have longer and more forms diversity training, as well as need assessment, follow-up, and expert assistance from outside.

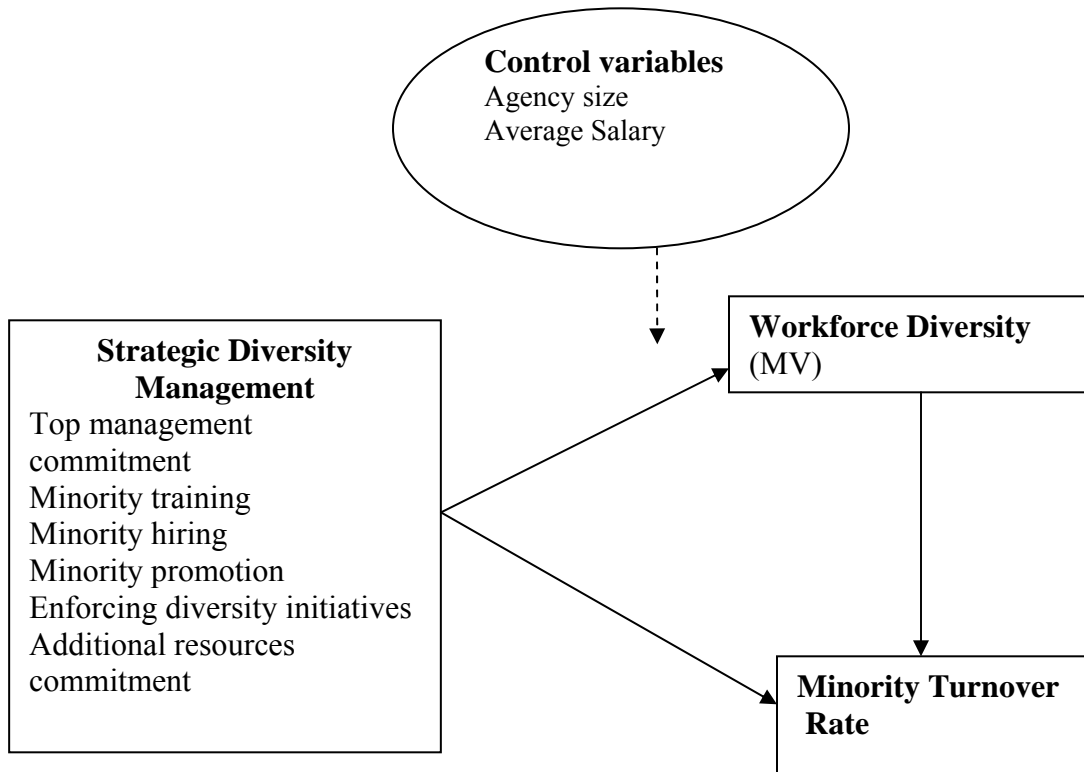
Agency size

The literature shows that agency size, in terms of total employee numbers, also has a positive relationship with diversity management development (Naff, 2004). Scott and Meyer (1991) argued that large organizations are more likely than small ones to adopt diversity management initiatives. Because diversity management initiatives usually require substantial resources support, in terms of both financing and personnel, larger organizations generally have more resources than smaller ones. Empirical research also shows that large organizations are more likely to implement all kinds of formal diversity programs in order to internalize corporate value (Johnson, McLaughlin, and Zimmerle, 1988). McCurdy and Newman (2002) found that agency size is positively related to the development of family-friendly policies in public organizations.

In summary, in a comprehensive diversity management model, we would first suggest that public organizations have a strong minority recruitment initiative, which could attract more qualified candidates in their workforce pool, and also send out symbolic signals on their commitment to workforce diversity. Following that, there should be diversity initiatives to train and promote employees, which create opportunities

for employees to communicate and enhance their understanding of people from different backgrounds. Additionally, there should be other programmatic efforts, such as a mentoring program, a diversity council, a diversity reading room, and a regular diversity survey. It is important to have the commitment of the top management and additional resources to support diversity management programs, which can guarantee not only the resources from different levels, but also ensure the success of diversity management implementation. With strategic diversity management in place, we expect that public organizations would have increased workforce diversity and better performance, which includes lower employee turnover.

Figure 3. The Model of Strategic Diversity Management



CHAPTER FOUR

METHODOLOGY

The purpose of this chapter is to explain the research design and methodology in this study. It first describes the organizations studied, their population sample, and some other data background. Second, it discusses the research objectives and questions. Third, based on the theoretical framework presented in the last chapter, it defines variables and outlines our hypotheses. Finally, it summarizes the data analysis procedure.

Data Background

New Jersey State Governmental Workforce

The New Jersey state government manages its diversity program in a decentralized manner. The Civil Service Commission (formerly the Department of Personnel) makes centralized diversity management policies yearly, and each agency develops workforce plans accordingly. Because each agency or department operates differently, the diversity management outcomes are quite varied. As noted, the objective of this study is to assess the effectiveness of diversity management efforts in the state government. For this purpose, 24 New Jersey state governmental departments and agencies are included in the study. The second objective of this study is to investigate how workforce diversity affects minority employees' turnover rate.

Earlier studies looked at the federal workforce in terms of whether its composition reflected the representation of the nation. This research differs in that we focus on state-level governmental employees' racial composition. Moreover, I use six years of panel data to investigate 24 agencies' workforce diversity and diversity management practices. Most of the earlier research only studied the composition of government agencies at one

time, which prevents them from investigating changes over an extended period. As McCabe and Stream argued in 2000, diversifying the public workforce implies change, and investigating this change means assessing the same units over time. Therefore using six years of panel data will give us a comprehensive picture of how the New Jersey state governmental workforce changed during this period.

In 2003, Charles studied the diversity management of New Jersey state government. Noticing that the workforce didn't keep up with demographic changes in state, Charles used qualitative and quantitative methods to assess the recruitment practices in New Jersey state government. To avoid the human capital crisis, she urged the state government to go beyond traditional recruiting methods reach qualified workers in ethnic subgroups. Charles also studied the composition of New Jersey state government from 1975 to 2000. Since that time, there have been many changes. I followed her research and assessed the demography of New Jersey's state governmental workforce from 2002 to 2007. I also went further to investigate how diversity management affects this change, and how workforce diversity affects organizational outcomes.

New Jersey is one of the most ethnically diverse states in America. According to the 2000 U.S. Census, it had the third-highest Asian population and the third-highest Italian American population by percentage. By absolute numbers, New Jersey also had the third-highest Indian American population, the third-largest Korean American population, the fourth-largest Philippine American population, and the fifth-largest Chinese American population.

New Jersey's total population was 8,414,350, according to 2000 Census data. Of that, 4,082,813 were male and 4,331,537 female. While white people made up 72.60

percent of the total population, African Americans 13.60 percent, Hispanics 13.30 percent, American Indian and Alaska native people 0.20 percent, and Asians 5.70 percent. Below is a table showing the race composition of New Jersey's total population (Table 2). We observed that the percentages of African Americans, Hispanics, and Asians in New Jersey were much higher than the U.S. average.

Table 2 New Jersey Population by Racial Composition

Race	Estimate Number	N.J. Percentage	U.S. Percentage
White	6,104,705	72.60%	75.10%
Black or African American	1,141,821	13.60%	12.30%
American Indian and Alaska Native	19,492	0.20%	0.90%
Asian	480,276	5.70%	3.60%
Native Hawaiian and other Pacific Islander	3,329	0.00%	0.10%
Other ethnicity	450,972	5.40%	5.50%
Hispanic (white and nonwhite)	1,117,191	13.30%	12.50%

Source: U.S. Census Bureau/Census 2000 demographic profile highlight/New Jersey

Secondhand Data Analysis

The information and data analyzed were drawn from the EEO and workforce development plans, which are mandated yearly by New Jersey state government. The workforce development plan reports factors important to the EEO and diversity management implementation. This report was conducted every year by the Civil Service Commission (formerly the Department of Personnel). The Civil Service Commission is committed to cultivating diversity in New Jersey and accordingly has set up the office of EEO and AA to monitor and facilitate the related policies and procedures, including but not limited to “recruitment, selection, hiring, training, promotion, transfer, facility accessibility, reasonable accommodation, layoff, return from layoff, compensation and

fringe benefits.” The topics of the report also include policies, procedures, and programs for the recruitment, employment, training, promotion, and retention of minorities, persons with disabilities, and women. The purpose of this report is to ensure that all these policies, procedures, and programs will be administered without regard to race, national origin or ancestry, color, sex, marital/civil union status, religion, age, disability, political affiliations, or other non-job-related criteria. This data is useful to the analysis in providing an overall perspective on New Jersey state government’s management of diversity.

New Jersey state government has 13 departments and 34 agencies. I sampled 24 agencies and obtained their six years of diversity management data. This study is based on the six years of hard data, from 2002 through 2007. This time period was chosen because it was a period when New Jersey aggressively attempted to achieve diversity in the state’s workforce. This is also a period for which we have full data for all variables.

Diversity by Numbers

Table 3 New Jersey State Government Workforce by Race and Ethnicity

Year	White		African American		Hispanic		Asian		American Indian		Total
	Num	%	Num	%	Num	%	Num	%	Num	%	
New Jersey 2002	39342	60.51	19265	29.63	4195	6.45	2067	3.18	149	0.23	65018
New Jersey 2003	47449	61.59	21900	28.43	5088	6.60	2411	3.13	191	0.25	77039
New Jersey 2004	42713	59.41	21551	29.97	5021	6.98	2447	3.40	168	0.23	71900
New Jersey 2005	44978	57.71	24067	30.88	6040	7.75	2669	3.42	182	0.23	77936
New Jersey 2006	41254	58.38	21410	30.30	5259	7.44	2580	3.65	162	0.23	70665
New Jersey 2007	40244	57.39	21668	30.90	5436	7.75	2619	3.73	156	0.22	70123

Source: New Jersey State Civil Service Commission

Table 3 shows changes in the New Jersey state workforce in the last few years.

From the table we can observe a significant increase in racial and ethnic minorities. Table

3 also shows that from 2002 through 2007 African American employees' percentage increased from 29.63 percent to 30.90 percent; Hispanic employees from 6.45 percent to 7.75 percent, and Asian employees from 3.18 percent to 3.73 percent, while the percentage of white employees declined from 60.51 percent to 57.39 percent.

To find out the detailed pattern of change in New Jersey's state government workforce, I also documented the change in each department and agency at the state government level (Table 4).

Table 4 Change in representation of white and minority employees from 2002–2007

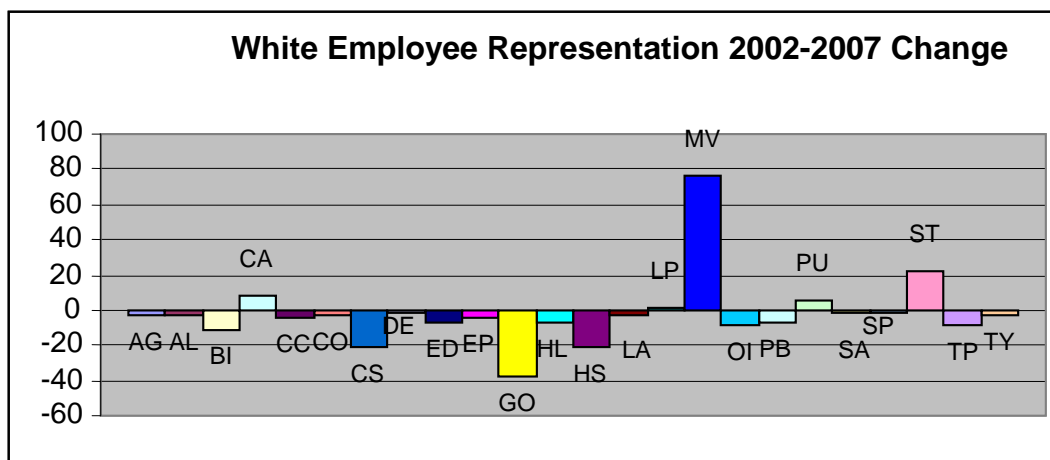
Agency	White Employee		Minority Employee	
	Num. change	% change	Num. change	% change
Agriculture (AG)	197	-3.56%	51	9.80%
Administrative Law (AL)	77	-2.60%	35	-11.43%
Banking & Insurance (BI)	356	-11.52%	135	10.37%
Community Affairs (CA)	704	7.67%	335	15.22%
Casino Control (CC)	240	-5%	88	-2.27%
Corrections (CO)	5672	-3.28%	3,939	4.47%
Personnel (CS)	246	-21.54%	138	-2.90%
Military & Veteran Affairs (DE)	635	-1.10%	815	17.18%
Education (ED)	692	-6.94%	250	-1.2%
Environmental Protection (EP)	2824	-4.07%	486	15.02%
Governor's Office (GO)	111	-37.84%	39	-12.82%
Health & Senior Services(HL)	1360	-6.54%	646	8.82%
Human Services (HS)	8565	-21.64%	11,530	-15.79%
Labor (LA)	2174	-3.08%	1,404	2.85%
Law & Public Safety (LP)	6610	1.75%	2,348	12.61%
Motor Vehicles (MV)	924	76.95%	480	115.42%
Information Technology (OI)	735	-9.12%	231	0
Public Broadcasting (PB)	128	-7.03%	30	3.33%
Public Utilities (PU)	162	4.94%	126	-8.73

Higher Educational Student Assistance (SA)	137	-1.46%	63	-6.35%
State Parole Board (SP)	456	-1.10%	251	0.80%
State (ST)	116	21.56%	76	26.32%
Transportation (TP)	2968	-7.95%	880	4.43%
Treasury (TY)	2695	-3.60%	964	16.60%

Source: New Jersey State Civil Service Commission

Figure 4 shows the percentage change of white employees in the New Jersey state workforce for each of the 24 agencies in my study. This chart highlights the fact that from 2002 through 2007, whites' share declined in most agencies. Among the majority of agencies studied, white employees' population fell between 1.10 percent (SP–State Parole Board) and 21.64 percent (HS–Human Services) during this time. Specifically, the Governor's Office (GO) experienced the greatest decrease in white employees: 37.84 percent. However, Community Affairs (CA), Law and Public Safety (LP), Motor Vehicles (MV), Public Utilities (PU), and State (ST) saw increases in their white employee populations. Among them, Motor Vehicles (MV) had the greatest increase in its white share of state governmental jobs: 75.95 percent.

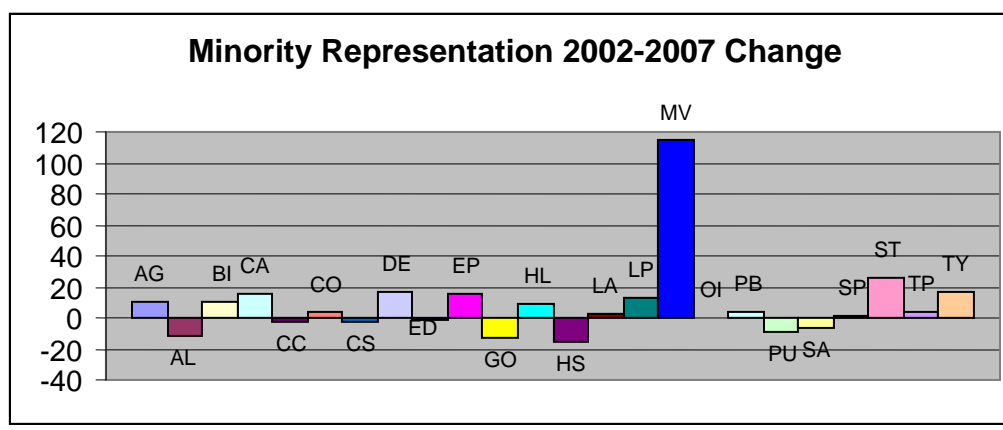
Figure 4 Changes in White Employee Representation



Source: New Jersey State Civil Service Commission

On the other hand, as shown in Figure 5, the minority employee population of most New Jersey state agencies experienced increases from 2002 to 2007. Most agencies saw positive changes ranging from a low of 0.80 percent in the State Parole Board (SP) to a high of 115.4 percent in Motor Vehicles (MV). However, eight agencies saw drops in their minority composition. These agencies included Administrative Law (AL), Casino Control (CC), Personnel (CS), Education (ED), the Governor's Office (GO), Human Services (HS), Public Utilities (PU), and Higher Education Student Assistance (SA). The biggest loss in minority employees occurred in Human Services (HS): 15.79 percent.

Figure 5 Changes in Minority Employee Representation



Source: New Jersey State Civil Service Commission

These comparisons of changes in white and minority workers show that in general New Jersey state government agencies increased their minority composition from 2002 to 2007, while white employee composition declined. Most agencies whose white employees declined saw increases in their minority composition. We note that Motor Vehicles (MV) is a special case in that it gained both white and minority employees. The most likely reason is that Motor Vehicles expanded its head count during this period.

Research Objectives and Questions

The main objective of this dissertation is to explore and explain the relationship between diversity management practices, workforce diversity, and minority employees' turnover rate. Within this theoretical framework, I have formulated several research questions:

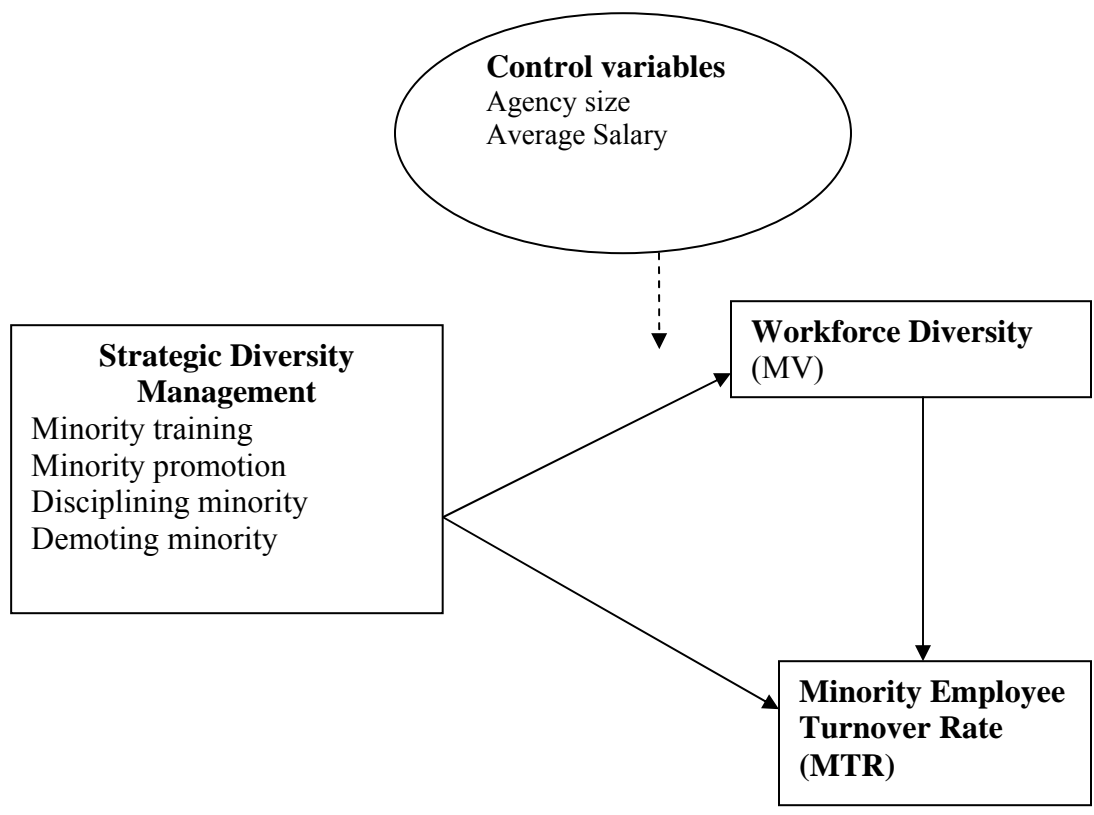
1. How does a strategic diversity management system (SDM) affect workforce diversity and minority employees' turnover rate?
2. Which diversity management practices among SDM contribute to the above results?
3. How does workforce diversity affect minority employees' turnover rate?

Also, critics argued that even though many public organizations have actively recruited more minorities into their organizations, most of them are at entry level; minority employees are still rare in management positions or at professional levels. To investigate whether this is the case in New Jersey state government agencies, I compared the workforce diversity of professional and administrative employees with that of entry-level employees:

4. Is there a difference between the workforce diversity of entry-level employees and that of professional employees?
5. If there is difference between these two groups' diversity, how does this difference affect their minority employee turnover rates?

Operational Variables and Hypotheses

Figure 6 The Relationship between Workforce Diversity, Diversity Management Practices, and Minority Employee Turnover Rate



Based on the framework, the quantitative analysis would begin as equations using workforce diversity (MV) as the dependent variable:

$$Y_1 = \alpha + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + \mu$$

$$\text{Or } Y_1 = \alpha + b_1X_6 + b_2X_5 + \mu$$

Where $Y_1 = MV$

$X_1 =$ Minority promotion

$X_2 =$ Minority training

X_3 = Disciplining minority

X_4 = Demoting minority

X_5 = Control variables

X_6 = SDM bundle variable

μ = Error term

When using minority employee turnover rate (MTR) as the dependent variable, we have the following equations:

$$Y_2 = \alpha + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + b_6X_6 + b_7X_7 + \mu$$

$$\text{Or. } Y_2 = \alpha + b_1X_6 + b_2X_7 + b_3X_5 + \mu$$

Where Y_2 = Minority Turnover Rate

X_1 = Minority promotion

X_2 = Minority training

X_3 = Disciplining minority

X_4 = Demoting minority

X_5 = Control variables

X_6 = SDM bundle variable

X_7 = MV

μ = Error term

Hypothesis 1: Diversity management practices as a whole positively affects workforce diversity.

Hypothesis 2: Diversity training positively affects workforce diversity.

Hypothesis 3: Diversity promotion rate positively affects workforce diversity.

Hypothesis 4: Disciplining minority negatively affects workforce diversity.

Hypothesis 5: Demoting minority rate negatively affects workforce diversity.

Hypothesis 6: Diversity management practices as a whole negatively affects minority employee turnover rate.

Hypothesis 7: Diversity training negatively affects minority employee turnover rate.

Hypothesis 8: Diversity promotion negatively affects minority employee turnover rate.

Hypothesis 9: Disciplining minority rate positively affects minority employee turnover rate.

Hypothesis 10: Demoting minority rate positively affects minority employee turnover rate.

Hypothesis 11: Minority employees' turnover rate is negatively affected by employees' workforce diversity.

Hypothesis 12: Professional minority employees' turnover rate is negatively affected by professional employees' diversity.

Hypothesis 13: Entry-level minority employees' turnover rate is negatively affected by diversity among entry-level employees.

Dependent Variable 1: Workforce Diversity

To evaluate the effectiveness of diversity management programs, we need to relate them to the mission of the organizations. As we discussed earlier, diversity management has to be connected with strategic management to achieve the best performance, and knowing “where we are going” would be the first step in strategic management. The link between goals and organizational effectiveness has been emphasized extensively in the public management literature: For example, Behn (1999) claimed that goals are an important means through which to achieve desired outcomes. As New Jersey state

government clearly states its mission as increasing diversity, I will use workforce diversity as one important indicator to evaluate its diversity management programs.

Workforce diversity measurement in the public sector is critical for several reasons. According to Rosenbloom and Nachmias (1973), diversity measurement can be used to compare social composition among organizations. Also, it's a valid measurement to compare social composition among organizational units, subunits, or different levels within the same organization. They also argued that diversity measurement can be used as a helpful tool to investigate critical issues of representative bureaucracy, such as the link between passive and active representation. Meanwhile, the measurement has utility in investigating issues pertaining to equal employment opportunity. For example, it can help identify the problem areas and understand the racial or ethnic tipping question. Guajardo (1999) contended that diversity measurement can help public organizations assess to what extent their organizational structures encourage the integration and promotion of women and minorities. Guajardo also pointed to the critical role of diversity measurement in evaluating the success of EEO and diversity programs.

There are several diversity indices, such as the Lieberman index, the McIntosh D. index, and Rosenbloom's measure of variation. For this study, we used Rosenbloom's measure of variation (MV) index. According to Rosenbloom and Nachmias, the MV index is calculated as:

MV (measure of variation) = Total observed differences/maximum possible differences

$$\text{MaximumPossibleDifferences} = \frac{n(n-1)}{2} \left(\frac{f}{n} \right)^2$$

$$\text{Total Observed Differences} = \sum f_i f_j, i \neq j$$

where f = the number of i th social characteristics

According to Rosenbloom, the greater the number of differences among a group of elements, the more mixed is the group as a whole, and therefore the more variation is to be found in the organization. For example, if one organization has only white employees, there is no racial difference. In reality, however, there are usually some racial differences within an organization, and the amount of differences depends on its racial composition. Thus one could measure diversity by counting the total number of differences in the specified social characteristics of this organization.

For example, in a group consisting of eight white employees, six African American employees and two Hispanic employees, the total observed differences equal $8*6+8*2+6*2=72$, and the maximum possible differences are $(3*(3-1)/2)*(16/2)*(16/2)=192$. Therefore $MV=72/192=0.375$

MV always varies between 0 and 1. When MV is 0, there is no variation within the organization, while MV of 1 means the organization has reached its maximum integration.

MV represents the diversification of each agency. As discussed earlier, the 24 agencies studied vary significantly in terms of their racial compositions. I will use each agency's workforce diversity (expressed as MV, measure of variation) as the dependent variable in the first empirical model.

Dependent Variable 2: Minority Turnover Rate (TR)

Employee turnover rate has long been identified as negatively associated with organizational performance. Literature shows that employee turnover requires organizations to allocate substantial resources to replace and retrain new workers (Wright and Kim, 2004). Research conducted by the Saratoga Institute estimated that the replacement cost of one employee is always higher than this individual's salary,

sometimes reaching twice the salary (Kepner-Tregoe Business Issues Research Group, 1999). Moreover, high turnover rate indicates low employee morale (Rainey, 2003). Therefore it becomes a significant issue for both scholars and human resources management practitioners. Several meta analyses were conducted to identify the factors affecting employee turnover rates in the private sector (Cohen, 1993; Cotton and Tuttle, 1986). There are also several studies conducted by public researchers at the federal government level. Mostly, they investigated the individual characteristics of employees who leave (Lewis, 1991; Lewis and Park, 1989) or the organizational characteristics of agencies with high turnover rates (Kellough and Osuna, 1995).

Employee turnover may be more costly for organizations with more diversity. Racial minority employees are more prone to leave compared with white employees. Data from the U.S. Bureau of Labor Statistics for 2006 shows that the annual voluntary turnover rate is nearly 30 percent higher among racial minorities than among their white counterparts. Consequently, these organizations may fail to get their full returns on minority recruitment and training, or recoup the productivity lost while the new employee climbs the learning curve.

There are three types of turnover. One is voluntary turnover, when employees leave organizations by choice. The second is involuntary turnover: situations in which employees are fired or laid off (Shaw et al 1998; Selden and Moynihan, 2000). Some scholars have argued that there is no significant difference between these two types in the public sector. For example, Meier and Hicklin (2007) asserted that public managers may encourage employees to leave rather than directly start a termination procedure; this leads to employees resigning instead of being fired. The last type of turnover is total turnover,

which includes voluntary turnover, involuntary turnover, and retirements (when employees leave after meeting specific service requirements). In this study we will use total turnover as my dependent variable.

We will use New Jersey state government minority employees' separation data to calculate total turnover rate. Defined by New Jersey state government, a "separation" refers to the elimination of an employee from the state government payroll for any reason. Separation can be voluntary (retirement or resignation) or involuntary (termination or layoff).

$$\text{Turnover rate} = \frac{\text{separation number} \times 2}{(\text{year1 cat number} + \text{year2 cat number})}$$

Control variable 1: Agency size

Agencies in New Jersey state government differ greatly in their total number of employees. According to Rosenbloom, minority employment shares are negatively related to agency size. One likely explanation for this is that each minority hire makes a smaller contribution to workforce diversity in a large agency than in a small one. Therefore to achieve the same minority composition as a smaller agency, a large agency needs to hire a larger number of minority employees. We will thus use each agency's total employment as its agency size and include it as a control variable.

Control variable 2: The average salary for each agency

The literature suggests that salary is an important environmental factor affecting employees' job satisfaction and working experience (Sanchez and Brock, 1996), which in turn affects the composition of an organization. We would also include the average salary of each agency as a control variable.

Independent Variable 1: Strategic Diversity Management System

As presented in the last chapter, Strategic Human Resource Management focuses on the system of combining human resource practices to achieve the best results. As Huselid et al (1997) argued, in an effective human resource management system, HR practices could simultaneously exploit the complementariness among one another to help implement the organization's competitive strategies. Applying SHRM to diversity management, organizations could enjoy the benefits from workforce diversity only when diversity management practices work as a synergetic system. Therefore we hypothesize that diversity training, diversity promotion, diversity discipline and diversity demotion working together would give the organizations better results than when they are implemented separately. We constructed a bundle variable of diversity management practices as the mean score of diversity training, diversity promotion, diversity discipline, and diversity demotion. We hypothesize that organizations with a higher score on this bundle variable will have a higher score on MV.

According to Macduffie (1995), there are two approaches to constructing a HR bundle. The multiplicative approach implies the bundle as a whole is greater than the sum of all the HR practices, while the additive approach views the bundle as equal to the sum of the parts. Conceptually, the multiplicative approach also implies that when any single practice is missing, the score of the bundle should be zero. Many scholars oppose this approach because even though they believe that the effects of bundle would be weakened by the absence of a single practice, there is no theoretical base to find out which single practice is so significant that without it entire HR practices would be eradicated. Moreover, as the additive approach has the advantage that the sum of normally

distributed variable scores is still normally distributed, I would use it in this study to construct the bundle variable.

Other Independent Variables: Diversity management practices: minority training, minority promotion, disciplining minority, and demoting minority.

Minority Training

The literature shows diversity hiring is only the first step in diversity management. After recruiting minorities into organizations, it's critical to support them and create a friendly working environment to motivate them to perform their best. Scholars believe training would be critical to achieve this goal. It has been acknowledged that training can improve communication among employees from various backgrounds, break down stereotypes about minority employees, and even prevent the creation of stereotypes (Sue, 1991; Mann and Goodman, 2008). Also, with effective training, white employees will realize that diversity management is not about being exclusive but instead about including everybody. Therefore it will smooth the backlash against diversity management (Ricucci, 1997; Von Bergen et al. 2002). As a result, we hypothesize that organizations with higher minority training rates would have more diversified workforces and lower minority turnover rates. This variable is constructed as the annual minority training hours divided by the total agency training hours of the year.

Minority Promotion

Promotion has long been acknowledged to have symbolic effects in diversity management. When minority employees observe employees with a similar background promoted in an organization, they feel motivated to follow the same career path, and are more likely to stay (Sue, 1991). Moreover, both the social identity theory and the

similarity-attraction paradigm suggest that individuals tend to hire people like themselves. Therefore, with more minority employees promoted into management positions, there is a higher chance for minority applicants to get recruited into the organizations (Wagner et al., 1984; Riordan and Shore, 1997). We hypothesize that organizations with higher minority promotion rates have more-diversified workforces. We constructed this variable by dividing minority promotion number by the year's total number of promotions.

Disciplining Minority

Discipline is also a widely used management tool in diversity management. When used properly, discipline can motivate employees just as effectively as awards. However, there is also concern that when overused, discipline creates diversity and ethnic problems. It could also be looked at as a negative aspect of an organization, which would negatively affect organization on recruitment and employee turnover rate. Research also shows that discipline affects minority employees more than their white counterparts. Minority employees may be more sensitive to this procedure, given its importance in effecting employees' perception of equity and fairness in workplace; therefore it is a very critical aspect of diversity management (Cole, 2008).

As O'Reilly and Weitz (1980) found, work group performance can be positively affected when supervisors use discipline. They argued that discipline can serve both to advocate appropriate behaviors and to make other negative sanctions more acceptable among employees. In addition, one supervisor's use of discipline may be a learning opportunity for other supervisors (Manz and Sims, 1981). We hypothesize that public organizations with higher rates of disciplining minority would have less diversified workforces and higher minority turnover rates. We constructed this variable by

calculating the disciplining minority percentage — the total minority discipline number of each agency divided by minority employee number in the agency.

Demoting Minority

According to Carson and Carson (2007), demotion involves one or more of the following components: (a) a lowering in absolute or relative hierarchical placement (i.e., an increase in the number of layers between the individual's position and the top of the hierarchy); (b) diminished responsibilities or reduced control/authority over human, capital, or financial resources; (c) lowered quantity/quality expectations and restriction of skill utilization; and/or (d) movement out of a career path headed for the upper echelons of the organization. The authors (p.457) defined demotion as “a perceived reduction in the employee's current or future abilities to affect the operations of the organization because of a personnel action by an agent of the organization that results in an actual or perceived loss of authority and/or responsibility.”

The reason for demotion can be poor employee performance; disciplinary action for either violations of unwritten company norms or as a retaliatory response to undesired actions against the firm; or economic concerns, when organizations need to downsize but retain their good performers.

Carson and Carson also stated that there may be four kinds of potential consequences at the employee level for the demotion action: economic harm, lower well-being, underemployment, and grief and identity crisis. In summary, demotion would not only affect the demoted worker's well-being, but also negatively affect the other employees' motivation. We assume that minority employees' job security and job satisfaction would also be affected by the demotions of their minority co-workers.

Therefore we hypothesize that public organizations with higher demoting minority rates would have lower workforce diversity scores and also higher minority turnover rates.

Data Analysis Procedures

We outline data analysis procedures in this part. In first procedure, we calculated each agency's diversity score (MV). According to Rosenbloom (1984), MV is a valid index to compare social composition between organizational units, subunits and different levels within same organizations. Since agencies in state government have different racial compositions, we cannot compare them by total workforce number. By introducing MV of each agency, we can compare each agency's racial composition change from 2002 through 2007. Also we can compare different agencies' racial compositions within same year.

In second procedure, we used ANOVA (analysis of variance) analysis to answer research question 4, is there a difference between the entry-level employees' racial diversity and that of professional-level employees. Since we have six years of data on the two groups, we are also interested in if time contributes to the difference. According to Guajardo (1999), the best research design to answer the above questions is repeatedly measured ANOVA with one within subject factor (time) and one between subject factor (job position).

Table 5 ANOVA Design

	Within-Subjects Factor			YEAR			
Between-Subjects Factor	Subject	2002	2003	2004	2005	2006	2007
Professional	1	X ₁₁	X ₁₂	X ₁₃	X ₁₄	X ₁₅	X ₁₆
	2	X ₂₁	X ₂₂	X ₂₃	X ₂₄	X ₂₅	X ₂₆
	3	X ₃₁	X ₃₂	X ₃₃	X ₃₄	X ₃₅	X ₃₆
	⋮	⋮	⋮	⋮	⋮	⋮	⋮
	N	X _{n1}	X _{n2}	X _{n3}	X _{n4}	X _{n5}	X _{n6}
	Average	u ₂₀₀₂	u ₂₀₀₃	u ₂₀₀₄	u ₂₀₀₅	u ₂₀₀₆	u ₂₀₀₇
Entry	1	X ₁₁	X ₁₂	X ₁₃	X ₁₄	X ₁₅	X ₁₆
	2	X ₂₁	X ₂₂	X ₂₃	X ₂₄	X ₂₅	X ₂₆
	3	X ₃₁	X ₃₂	X ₃₃	X ₃₄	X ₃₅	X ₃₆

	N	X _{n1}	X _{n2}	X _{n3}	X _{n4}	X _{n5}	X _{n6}
	Average	u ₂₀₀₂	u ₂₀₀₃	u ₂₀₀₄	u ₂₀₀₅	u ₂₀₀₆	u ₂₀₀₇

This research design (Table 5) has several advantages. First, it can easily help us determine if the average diversity scores between different job categories (professional and entry) are statistically significant. Second, it can help us find out if the overall racial diversity of the 24 agencies has increased or decreased significantly during this time period. Finally, this research design allows us to investigate whether professional employees' diversity and entry level employees' diversity have changed significantly over time.

In final procedure, we conducted multivariate regression analyses using ordinary least square (OLS) to answer following research questions: How does strategic diversity management system (SDM) affect workforce diversity and minority employees' turnover

rate? Which diversity management practices among SDM contribute to the above results? How does workforce diversity affect minority employees' turnover rate? And how do diversity at entry level and professional level affect their minority employee turnover rate differently?

In this study the software package SPSS-12.0 was used for statistical analysis because of its power and flexibility. First, we used a variety of statistical and graphical methods to test if classic assumptions of OLS regression were met. We checked normality, multicollinearity, and heteroskedasticity of variables to make sure that coefficient estimates were unbiased and consistent and the significant tests are valid. Second, we calculated descriptive statistics (mean, min, max, standard deviation) to assess the variation of all the variables and get a brief understanding of the collected data. Finally, we ran several OLS regressions to empirically test our hypotheses to find out the causal relationship between diversity management practices, workforce diversity and minority employee turnover rate.

CHAPTER FIVE

RESULTS AND FINDINGS

This chapter on our results and findings first presents the descriptive statistics on the diversity score (MV) change at the agency level from 2002 through 2007. Second, it summarizes the statistical findings of ANOVA test. Third, it presents the regression analysis results. Finally, it summarizes the findings and discusses their meaning. It's mostly based on the results of testing our hypotheses, but it also includes some important findings from the ANOVA test.

Descriptive Statistics

Using Rosenbloom's MV formula, we calculated changes in workforce diversity in New Jersey state government from 2002 through 2007 (Table 6). Workforce diversity increased from 0.676 in 2002 to 0.710 in 2007, a 5 percent rise. However, from 2005 through 2007 the increase was less dramatic: only 0.5 percent.

Table 6 New Jersey State Governmental Workforce by Numbers and Diversity Measure

	White	African American	Hispanic	Asian	American Indian	Total	MV
New Jersey 2002	39,342	19,265	4,195	2,067	149	65,018	0.676109
New Jersey 2003	47,449	21,900	5,088	2,411	191	77,039	0.668123
New Jersey 2004	42,713	21,551	5,021	2,447	168	71,900	0.689012
New Jersey 2005	44,978	24,067	6,040	2,669	182	77,936	0.705493
New Jersey 2006	41,254	21,410	5,259	2,580	162	70,665	0.700635
New Jersey 2007	40,244	21,668	5,436	2,619	156	70,123	0.709677

Source: New Jersey State Civil Service Commission

We also calculated the workforce diversity change at the agency level for the time period of 2002– 2007 (Table 7). We found that most New Jersey agencies made progress in improving their workforce diversity. However, the MV scores of four agencies, — Administrative Law (AL), Human Services (HS), Public Utilities (PU), and Higher Educational Student Assistance (SA) — showed decreases over the six years. Among them, Public Utilities (PU) had the greatest decrease at 4.78 percent.

As Guajardo (1999) argued, it's not sufficient just to state that workforce diversity has increased or decreased significantly over time. The causes of the increase or decrease need to be examined. We will explore the reasons in the regression analysis section.

Table 7 New Jersey State Governmental Agencies' MV Scores from 2002–2007

Agency name	MV 2002	MV 2007	MV change	Percentage change
Agriculture (AG)	0.437289	0.473966	0.037	8.39%
Administrative Law (AL)	0.578962	0.551798	-0.027	-4.69%
Banking and Insurance (BI)	0.533524	0.598072	0.065	12.10%
Community Affairs (CA)	0.60132	0.620956	0.020	3.27%
Casino Control (CC)	0.515969	0.5271	0.011	2.16%
Corrections (CO)	0.678709	0.701863	0.023	3.41%
Personnel (CS)	0.626	0.676454	0.050	8.06%
Military and Veteran Affairs (DE)	0.823737	0.838741	0.015	1.82%
Education (ED)	0.521204	0.542877	0.022	4.16%
Environmental Protection (EP)	0.329704	0.37681	0.047	14.29%
Governor's Office (GO)	0.525222	0.620699	0.095	18.18%
Health and Senior Services (HL)	0.608846	0.656422	0.048	7.81%
Human Services (HS)	0.746388	0.740567	-0.006	-0.78%
Labor (LA)	0.690557	0.709458	0.019	2.74%
Law and Public Safety (LP)	0.520749	0.552801	0.032	6.16%
Motor Vehicles (MV)	0.613544	0.687226	0.074	12.01%
Information Technology (OI)	0.494898	0.526382	0.031	6.36%
Public Broadcasting (PB)	0.399475	0.431667	0.032	8.06%
Public Utilities (PU)	0.741826	0.70634	-0.035	-4.78%

Higher Educational Student Assistance (SA)	0.608188	0.593381	-0.015	-2.43%
State Parole Board (SP)	0.638893	0.650796	0.012	1.86%
State (ST)	0.694919	0.70911	0.014	2.04%
Transportation (TP)	0.479765	0.519769	0.040	8.34%
Treasury (TY)	0.522108	0.578553	0.056	10.81%

Source: New Jersey State Civil Service Commission

ANOVA Results

To compare the diversity at both the entry and professional levels over time, we conducted repeated measured ANOVA with one within-subject factor (time) and one between-subject factor (job position). We found that workforce diversity is significantly different between the entry level and the professional level (Table 8.A., $p < .000$). We also found that diversity is higher at the entry level than at the professional level. The ANOVA result (Table 8.B) shows that the average MV of entry-level employees is 0.652771, while the average MV of professional employees is 0.514166.

Moreover, we found that the overall level of workforce diversity within the 24 agencies changed significantly between 2002 and the end of 2007. The ANOVA result (Table 8.A) shows an F value of 14.567 with a p value of 0.000; this suggests there is a significant within-subject (time) effect. Therefore we conclude that the overall diversity score within the 24 agencies has significantly changed between 2002 and 2007.

Finally, we found that the increase of workforce diversity at the entry level is slower than that at the professional level. The ANOVA result (Table 8.A) shows there is a significant job position * time interaction, along with a significant between-subject main effect. Specifically, the ANOVA test for the job position * time interaction term produced an F-ratio of 4.058 with a p value of 0.02. This suggests that workforce diversity at the entry level increased at a different pace from that of the professional level.

Also from the mean diversity score plot (Graph 8.C), we observe that the increasing time trend is at a greater slope for professional employees than for entry-level employees. This suggests that though overall the diversity is lower at the professional level, it is increasing over time at a statistically significant faster pace. The reason for this phenomenon could be that the entry level already had very high workforce diversity at 2002, so it didn't have much dramatic change compared with the professional level.

Table 8 ANOVA Results

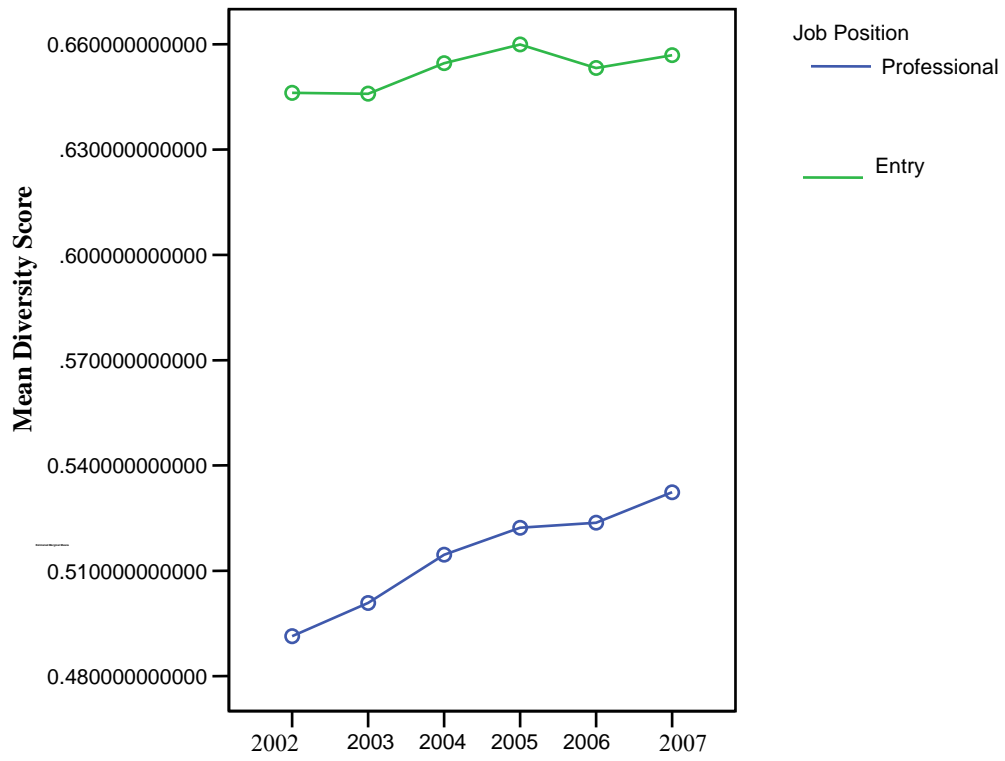
A. ANOVA Summary Tables

	Df	F	Sig.	Partial Eta Squared
Job Position	1	15.671	.000	.263
Time	5	14.567	.000	.249
Time * Job position	5	4.058	.002	.084

B. MV Scores Change by Job Position

Job Position	2002	2003	2004	2005	2006	2007	Average
Professional	0.491345	0.500816	0.514555	0.522239	0.523686	0.532356	0.514166
Entry	0.646139	0.645885	0.654591	0.65992	0.653217	0.656872	0.652771
Average	0.568742	0.57335	0.584573	0.591079	0.588452	0.594614	

C. Mean MV Change Plot



In summary, the ANOVA results indicate that the overall workforce diversity of New Jersey state government increased from 2002 through 2007. Statistics also show that there is more diversity in entry-level job positions than in professional-level positions. However, the professional levels made more progress in increasing their workforce diversity compared with the entry levels.

Regression Results

Assumption Tests

We conducted multivariate regression analyses using ordinary least square (OLS) to answer the following research questions: How does a strategic diversity management system (SDM) affect workforce diversity and minority employees' turnover rate? Which diversity management practices among SDM contribute to the above effects? How does workforce diversity affect minority employees' turnover rate? And how does diversity at the entry and professional levels affect their respective minority employee turnover rates?

First we checked normality, multicollinearity, and heteroskedasticity to make sure that OLS estimates were unbiased and consistent and the significant tests are valid

Normality Test

Regression analysis requires normally distributed error. In this study, the error of the MV (diversity score) regression is normally distributed. However, the error of the MTR (minority turnover rate) regression is not normally distributed according to Shapiro-Wilk statistic.

I conducted several transformations for variable MTR: a) LOG transformation; b) LOG10 transformation; c) EXP transformation; d) SQRT transformation; e) Arsin(SQRT) transformation. However, none of the transformed data pass the normality test according to the Shapiro-Wilk statistic. Shapiro-Wilk statistic is a very sensitive statistic. Sometimes it is significant even though the distribution is acceptably normal. For example, after we transformed MTR into LOGMTR, the normal probability plot shows that it is acceptably normal distribution though the Shapiro-Wilk statistic still indicates a significant p value. As some researchers suggested, regression analysis is fairly robust

against departures from the normality assumption. As long as the distribution of the errors is not extremely different from a normal distribution, coefficient inferences are not seriously affected. (Levine, Stephan, Krehbiel, Berenson, 2008). Therefore, we decide to transform the MTR variable into LOGMTR, and perform the OLS accordingly.

Multicollinearity Test

We also conducted the multicollinearity diagnostic analysis. The multicollinearity statistics provide information on whether the independent variables are inter-correlated to the degree that the regression results may be adversely affected. The rule of thumb is that a tolerance value bigger than 0.1, while VIF (variance inflation factor) smaller than 10, do not indicate a multicollinearity problem. We found that none of independent variables have multicollinearity problem according to these two indicators. However, according to most statistic books, a condition index over 30 can also suggest a possible multicollinearity problem. We found the condition index of agency size is 41.229, which contributed to the variance of salary more than 0.5. Therefore we transformed salary and department size by centralizing (average adjusted) them into N-salary and N-department size, and performed the OLS accordingly.

Heteroskedasticity Test

Heteroskedasticity refers that the variances of residuals are not constant across the data, which violates the assumptions of OLS. To test whether Heteroskedasticity exists, we did a visual inspection on residuals. Also, White (1980) test shows that there is no heteroskedasticity problem in the regressions.

Descriptive Statistics of Variables

After the OLS assumption tests, we calculated descriptive statistics (mean, min, max, standard deviation) to assess the variation of all the variables and get a brief understanding of the collected data.

Table 9 Descriptive Statistics of Variables

	N	Minimum	Maximum	Mean	Std. Deviation
MV	126	.34	.84	.60	.11
Professional MV	126	0.27	0.79	0.53	0.11
Entry MV	126	0	0.87	0.65	0.15
Training	124	2.41	88.89	34.81	14.73
Promotion	125	.00	76.47	36.56	16.87
Demotion	109	.00	100.00	41.91	28.81
Discipline	113	.00	100.00	41.34	32.43
MTR	126	.00	1.40	.09	.14
Professional MTR	126	0	1.30	0.12	0.14
Entry MTR	126	0	10.70	0.17	0.86
Average salary	127	37,384.33	75,352.25	54,284.48	7455
Agency size	127	107	22,658	2,735	4,423

Table 9 shows an average of 0.60 of MV in New Jersey state governmental agencies. The average minority training percentage across agencies is 34.81 percent, ranging from 2.41 percent to 88.89 percent. The average minority promotion percentage is 36.56 percent. But we noticed that some agencies still had zero percent diversity promotion, even though the importance of this practice has long been established. The average demoting minority rate is 41.91 percent, ranging from zero to 100.00 percent. The average minority discipline rate is 41.34 percent, ranging from zero to 100.00 percent. Finally, we observed that the average minority turnover rate (MTR) across

agencies is 9.00 percent. The highest and the lowest minority turnover rates both occurred in the Governor's Office (GO), which had 140 percent minority turnover in 2004 and no minority turnover in 2005.

We found that the average MV score for entry-level employees is significantly higher than that for professional employees; this confirms the ANOVA finding. The average MV score for professional employees in New Jersey state governmental agencies is 0.53, ranging from 0.27 in Administrative Law (AL) in 2002 to 0.79 in Human Services (HS) in 2007. The average MV score for entry-level employees is 0.65 across New Jersey state governmental agencies; this is significantly higher than that for professional employees. The lowest entry-level MV score is zero for the Governor's Office (GO) in 2007. This suggests there was no minority employee at the entry level in the Governor's Office that year. We found State (ST) had the highest entry-level MV score: 0.87, in 2005. This suggests that State had the most diversified entry-level workforce that year.

The average turnover rate among professional employees is 0.12, ranging from zero to 1.30, while the average entry-level employees' turnover rate is 0.17, ranging from zero to 10.70. This shows that the turnover rate is higher at the entry level than at the professional level. The highest turnover rates for both the entry and professional levels occurred in the Governor's Office (GO) in 2004.

The data also shows that the average yearly salary across the agencies is \$54,284.48 and that the average agency head count is 2,735.

Regression Statistics

To determine how strongly diversity management practices affect workforce diversity and minority employee turnover rate, we ran six multivariate regressions. The results are presented in Table 10.

Regression 1 MV-SDM

To establish whether a strategic diversity management system would effectively increase workforce diversity, we tested the significance of the bundle variable (the strategic diversity management system) on the overall employees' MV. The results (Table 10) show that the composite variable (SDM system) is significant at $p < 0.000$ level and positively ($B = 0.004$) related with MV. The model as a whole is also significant ($p < 0.000$), carrying an adjusted R square of 0.387, meaning that 38.7 percent of variance can be explained by this model. This suggests that hypothesis 1 ("Diversity management practices as a whole positively affects workforce diversity") is supported.

Regression 2 MV-diversity training, diversity promotion, disciplining minority, and demoting minority

To determine which strategic diversity management practices contributing to the increased workforce diversity, we tested the significance of diversity training, diversity promotion, disciplining minority, and demoting minority on overall employees MV. The model is significant ($p < 0.000$), and we found that diversity training, diversity promotion, and disciplining minority contribute to the workforce diversity increase. The model carries an adjusted R square of 0.667, which means that 66.7 percent of variance is explained by this model.

Diversity training is statistically significant ($p < 0.000$) and positively ($B = 0.003$) related to MV. This suggests that hypothesis 2 (“Diversity training positively affects workforce diversity”) is supported. In other words, the higher the minority training rate, the higher the variation in workforce diversity.

Diversity promotion is statistically significant ($p < 0.000$) and positively ($B = 0.004$) related to MV. This suggests that hypothesis 3 (“Diversity promotion positively affects workforce diversity”) is supported. Put differently, the higher the minority promotion rate, the higher the variation in workforce diversity.

Disciplining minority is statistically significant ($p < 0.000$) and positively ($B = 0.001$) related to MV. This suggests that hypothesis 4 (“Disciplining minority negatively affects workforce diversity”) is rejected. Based on the data, disciplining minority positively affects workforce diversity. In other words, the higher the disciplining minority rate, the higher the variation in workforce diversity.

Demoting minority is not statistically significant ($p > 0.05$). This suggests that hypothesis 5 (“Demoting minority negatively affects workforce diversity”) is rejected. Based on the data, demoting minority doesn’t affect workforce diversity.

Among control variables, average salary is statistically significant ($p < 0.011$), while agency size is not. Average salary is negatively ($-2.576E-6$) related with MV, which means that the higher the average salary of an agency, the lower its workforce diversity score.

Regression 3 MTR-SDM system, MV

To establish whether a strategic diversity management system would effectively decrease the minority turnover rate, we tested the significance of the composite variable

(SDM) on the minority turnover rate. We also included MV and other control variables in the regression. The results show that bundle variable SDM is statistically significant ($p < 0.000$) and negatively ($B = -0.011$) related to MTR. This result suggests that hypothesis 6 (“Diversity management practices as a whole negatively affects minority turnover rate”) is supported. In other words, a diversity management system would effectively decrease the minority turnover rate. Also, the model carries an adjusted R square 0.164, meaning that 16.4 percent of the variation is explained by this model.

Regression 4 MTR- diversity training, diversity promotion, disciplining minority, demoting minority, MV

To determine which practices contribute to the decreased minority turnover rate, we tested the significance of diversity training, diversity promotion, disciplining minority, and demoting minority on minority turnover rate. The model carries adjusted R square 0.222, meaning that 22.2 percent of the variation is explained by this model.

Diversity training is not statistically significant ($p > 0.05$). This suggests that hypothesis 7 (“Diversity training negatively affects the minority employee turnover rate”) is rejected. Based on the data, diversity training doesn’t affect minority employee turnover rate.

Diversity promotion is statistically significant ($p < 0.016$) and negatively ($B = -0.012$) related to MTR. This suggests that hypothesis 8 (“Diversity promotion negatively affects the minority employee turnover rate”) is supported. In other words, the higher the minority promotion rate, the lower the minority employee turnover rate.

Disciplining minority is statistically significant ($p < 0.024$) and negatively ($B = -0.004$) related to MTR. This suggests that hypothesis 9 (“The disciplining minority rate

positively affects the minority employee turnover rate”) is rejected. In other words, the higher the disciplining minority rate, the lower the minority employee turnover rate.

Demoting minority is not statistically significant ($p > 0.05$). This suggests that hypothesis 10 (“The demoting minority rate positively affects the minority employee turnover rate”) is rejected. In other words, demoting minority does not affect minority employee turnover rate.

MV is also statistically significant ($p < 0.001$), but it is positively ($B = 2.627$) related to MTR. Therefore we rejected hypothesis 11 (“Minority employees’ turnover rate is negatively affected by employees’ workforce diversity”). Based on the data, New Jersey state governmental minority employees’ turnover rate is positively affected by employees’ workforce diversity.

As far as the other control variables, agency size is statistically significant ($p < 0.038$), while average salary is not. Agency size is negatively ($-2.445E-5$) related to MTR; this means that the bigger the agency size, the lower the minority turnover rate.

Regression 5 professional employee MTR-MV

We also tested the impact of the professional employees’ diversity on their turnover rate. The regression reveals that there is no significant statistical relationship ($p > 0.05$) between them. Therefore we rejected hypothesis 12 (“Professional minority employees’ turnover rate is negatively affected by professional employees’ diversity”). Based on our data, professional employees’ diversity doesn’t affect their minority employee turnover rate.

Regression 6 entry employee MTR-MV

This regression shows that entry-level employee diversity is statistically significant ($p < .001$) and negatively ($B = -1.502$) related to the minority turnover rate. Therefore our data supported hypothesis 13 (“Entry-level minority employees’ turnover rate is negatively affected by diversity among entry-level employees”). This suggests that the more diversity at the entry level, the lower the minority turnover rate among entry-level employees.

Table 10 Regression Statistics

	Dependent variable	Independent variable	B	Std. Error	Beta	t	Sig.
Regression 1	MV						
		Average salary	-3.502E-6	.000	-.233	-3.169	.002
		Agency size	-1.067E-6	.000	-.041	-.534	.595
		Bundle variable	.004	.001	.554	7.284	.000
		Adjusted R ² = .387, F = 26.884, Sig. = .000					
Regression 2	MV						
		Average salary	-2.576E-6	.000	-.164	-2.579	.011
		Agency size	-1.615E-6	.000	-.064	-1.040	.301
		Training	.003	.001	.307	3.811	.000
		Promotion	.004	.001	.465	6.568	.000
		Demotion	.000	.000	-.034	-.571	.569
		Discipline	.001	.000	.263	4.088	.000
		Adjusted R ² = .667, F = 35.318, Sig. = .000					
Regression 3	MTR						
		MV	2.182	.577	.409	3.782	.000
		Average salary	-1.566E-5	.000	-.195	-2.159	.033

		Agency size	-2.163E-5	.000	-.154	-1.712	.090
		Bundle variable	-.011	.004	-.289	-2.664	.009
		Adjusted R ² =.164, F=6.951, Sig.=.000					
Regression 4	MTR						
		MV	2.627	.755	.545	3.477	.001
		Average salary	-1.201E-5	.000	-.159	-1.562	.122
		Agency size	-2.445E-5	.000	-.202	-2.099	.038
		Training	.004	.006	.097	.720	.473
		Promotion	-.012	.005	-.323	-2.455	.016
		Demotion	-.002	.002	-.122	-1.336	.185
		Discipline	-.004	.002	-.247	-2.294	.024
		Adjusted R ² =.222, F=5.106, Sig.=.000					
Regression 5	Pro. MTR						
		Agency size	.000	.000	-.178	-2.134	.034
		Average salary	.000	.000	-.244	-3.005	.003
		Pro MV	.133	.103	.106	1.297	.197
		Adjusted R ² =.058, F=4.152, Sig.=.007					
Regression 6	Entry MTR						
		Agency size	.000	.000	-.076	-.942	.348
		Average salary	.000	.000	-.148	-1.822	.070
		Entry MV	-1.502	.460	-.258	-3.267	.001
		Adjusted R ² =.062, F=4.397, Sig.=.005					

Findings and Discussions

This subsection summarizes the findings and discusses what they mean following the hypotheses.

- Finding One: Organizations with better strategic diversity management systems tend to have higher workforce diversity and lower minority turnover rates.

Regression results indicate that the composite variable we constructed is statistically significant ($p < .000$) and positively ($B = .004$) related to MV, as well as statistically significant ($p < .000$) and negatively ($B = -.0011$) related to MTR. It suggests that strategic diversity management systems have positive effects on workforce diversity and negative effects on minority turnover rate. These two findings are consistent with previous research in that they indicate that a diversity management system would bring out positive organizational outcomes, such as lower turnover rates, higher job satisfaction, and better performance. In addition, it would attract more minority employees and retain them by building a better working environment, eventually creating a more diversified workforce for the public organization.

This also suggests that diversity management practices as a whole would generate positive organizational outcomes, even though some of these practices may not be effective individually. As argued by Cutcher-Gershenfeld (1991), when human resource (HR) practices are designed to be interrelated and internal consistent, they make a systematic bundle. It is the HR bundle rather than individual practice that shapes interactions among employees. Because of their overlapping and mutually reinforcing effects, HR practices in a bundle have a “more is better” impact on the organization.

- Finding Two: Organizations with more diversity training tend to have more workforce diversity.

We found that diversity training is statistically significant and positively related to MV. This finding is consistent with the literature. Diversity training could help employees from various backgrounds communicate, and break down the stereotypes. It

could thus cultivate mutual understanding among employees from different backgrounds and eventually increase workforce diversity.

- Finding Three: Diversity training does not have a significant impact on the minority employee turnover rate.

Diversity training is not statistically significant in affecting minority employee turnover rate. This rejects our hypothesis 7 (“Diversity training negatively affects minority employee turnover rate”). Because the employee turnover rate is affected by factors such as pay, promotion, and career path, however, the effect of diversity training may be overshadowed by these factors. Also, scholars have asserted that because diversity training attempts to deal with long-standing stereotypes and assumptions, its effects may not be accomplished in the short term (Alderfer, 1992; Rynes and Rosen, 1995). In addition, Morrison (1992) argued that diversity training may bring negative results in the short term, compared with no training at all. Research shows that employees may file more complaints after diversity training because they better recognize unfair treatment and hold higher expectations for their managers and organizations. Based on our data, we suspect that diversity training may increase the understanding of diversity and diversity management but may not affect organizational outcomes as we hypothesized.

- Finding Four: Organizations with more diversity promotion tend to have more workforce diversity and lower minority turnover rates.

Diversity promotion symbolizes the commitment from organizations to promote diversity. The data confirmed that diversity promotion would positively affect public organizations by leading to increased workforce diversity and decreased minority

employee turnover rates. This result is also consistent with the literature, which suggests that by promoting minorities into managerial positions, organizations increase the chances of minority applicants getting hired. Diversity promotion would also help retain minority employees in that the practice visualizes a clear career path within the organization for them (Sue, 1991).

- Finding Five: Organizations with more disciplining minority tend to have more workforce diversity and lower minority turnover rates.

Disciplining minority is positively related to workforce diversity and negatively related to minority employees' turnover rate. As Beyer and Trice (1984) suggested, discipline can work as a reward when it is successfully implemented. It provides an opportunity for other employees to learn the rules of the organization and thus benefit organizations with positive results. In our study it increases workforce diversity and decreases the minority employee turnover rate.

- Finding Six: Demoting minority does not affect workforce diversity or the minority turnover rate.

Demoting minority is insignificant in either increasing workforce diversity or decreasing minority employees' turnover rate. This result may be because there is not much variation among agencies' demotion rates. Consequently, we couldn't confirm its impact on either workforce diversity or minority employee turnover rate.

- Finding Seven: Organizations with more workforce diversity tend to have higher minority turnover rates.

Our result does not support hypothesis 11 ("Minority employees' turnover rate is negatively affected by employees' workforce diversity"). Actually, based on our data, the

agency's diversity score is positively related to the minority employees' turnover rate. This means that the higher the diversity score, the higher the minority employees' turnover rate. When we break employees into two groups, we find that racial diversity at the entry level negatively affects the minority turnover rate, while professional employees' racial diversity is not related to the minority turnover rate. As a result, we concluded that the findings regarding the relationship between racial diversity and turnover rate are not very consistent in our cases. However, considering the inconsistency among previous theories, this finding is not completely surprising. The literature shows there were mixed findings on diversity's effects. As we discussed in Chapter One, there are theories suggesting positive effects of increasing workforce diversity (Cox et. al, 1991; Watson et. al, 1993), as well as negative effects (Jackson et al. 1991). For example, resource-based theories propose that diversity should result in positive effects for organizations, such as improved efficiency, performance, and job satisfaction (Cox 1993). On the other hand, social identity theories suggest that diversity may bring more inharmonious feelings into organizations, which would eventually decrease organizational performance (Tsui and Ohlott, 1988; Kramer, 1991; Turner and Haslam, 2001).

In addition to the conflicting theories, previous empirical studies also resulted in inconsistent findings regarding diversity's effects. Some authors found that organizations with higher racial diversity had increased creativity, enhanced decision making and problem solving, and higher overall performance. For example, Watson et al. (1993) found that groups with racial diversity outperformed their counterparts over time. However, there are others who argued that increased racial diversity would lead to

negative effects such as decreased interaction among group members, increased task conflict, increased negative nonverbal cues, and lower performance. For example, Pelled et al. (1999) found that racial diversity resulted in decreased task performance because diversity caused emotional conflicts among team members. Tsui et al. (1992) suggested that in a heterogeneous environment, minority members are prone to quit or take absences from work. Pitts (2007) found no consistent link between racial diversity and work-related outcomes in his study linking manager and street-level bureaucrats. In William and O'Reilly's meta analysis of 29 studies of racial diversity, 55 percent of them (16 studies) found negative impacts on organizations, while the remaining 13 found either positive or insignificant impacts.

When explaining these findings, scholars have suggested that there may not be a simple and direct relationship between racial diversity and organizational performance. Instead, they have suggested a contingent theory which argues that the effects of racial diversity on organizations may be dependent on the organizational context, which includes business strategies, organizational culture, HR systems, and so forth. For example, Richard (2000) found that organizations with growth strategies would have a higher return on equity (ROE) than organizations with the same levels of diversity but no growth strategy. Riordan (2000) also found that organizational contexts helped him understand the relationship between group diversity and group members' experiences. Because we don't have business strategy data for each agency in this study, we cannot tell if this is the reason for our inconsistent findings. We suggest that future studies include other mediating variables in their models when testing the relationship between workforce diversity and organizational outcomes.

- Finding Eight: Racial diversity is higher at the entry level than at the professional level.

It is interesting to note that there is a considerable difference between professional employees' diversity and that of entry-level employees, and how this difference affects the minority turnover rates of the two employee groups. Previous studies also noticed that diversity may vary by organizational level (Morrison and Gilnow, 1990). Many scholars have argued that racial diversity may be greater at the lower levels of an organizational hierarchy than at the higher levels. As Fryxell and Lerner (1989) observed, it is difficult for minority employees to reach top management positions. Further, Kellough and Naff (2004) found that managers who formulated diversity management policies perceived diversity quite differently from those lower-level employees who were targeted by these policies.

- Finding Nine: The increase of workforce diversity at the professional level is faster than that at the entry level.

The ANOVA results show that even though there was more racial diversity at the entry level than at the professional level, the diversity increased faster at the professional level in the years 2002 through 2007. One reason could be that agencies recognized the lack of diversity at their professional levels and actively hired more minority professionals during this time. Another reason could be that because entry-level diversity was already very high in 2002, there wasn't much room to for it to grow.

- Finding Ten: Organizations with more workforce diversity at the entry level tend to have fewer entry-level minority employees leave.

Although descriptive statistics show that entry-level employees have a higher mean minority turnover rate compared with their professional counterparts, regression results show that their racial diversity negatively affects this outcome. In other words, the more racial diversity at the entry level, the fewer minority employees in entry positions would leave the organization. This result also agrees with the literature. In their laboratory research McLeod and Lobel (1992) found that a racially heterogeneous team results in different perspectives, high-quality ideas, and the outperformance of the group's homogenous counterparts. Similarly, O'Reilly et al. (1997) found that organizations with higher racial diversity tend to have higher creativity and implementation ability. Richard (2000) found that racial diversity "does in fact add value, and with proper context, increases competitive advantage."

- Finding Eleven: Professional employees' turnover rates are not affected by their workforce diversity.

Data shows that professional employees' diversity is not a significant predictor of their minority turnover rate. The reason behind this phenomenon may be different turnover motivation compared with entry-level workers. Professional employees are more experienced and skilled and therefore have more opportunities to get jobs outside the organization. They have more job mobility than entry-level employees. The positive impact of workforce diversity may not be strong enough to overcome their desire for better careers in other organizations. Second, professional employees usually have been working in the same organization for a much longer time than entry-level employees, and the tenure factor may thus become the reason for them to leave. Third, most organizations have a pyramid organizational structure, with more openings and

promotion opportunities at lower levels than at upper levels. Professional employees may not see that many promotion opportunities in the same organization, compared with entry-level employees, and therefore would be inclined to apply for another job when they thought they had reached the highest level in their organization's hierarchy. This trend will be much more pronounced for minority employees than for their white male counterparts. That is, minority employees will have far fewer chances for promotion when they have reached certain levels in the organization. As a result, they would view other minority employees at their levels as competitors rather than comrades, and they may decide to leave for better career development.

CHAPTER SIX

CONCLUSIONS

This chapter will first summarize the conclusions of this study, then outline several theoretical and managerial implications to highlight the main contributions of the study to the field of public administration. Finally, we will discuss the limitations of the study and suggest directions for future research.

Conclusions

The main purpose of this study is to examine the extent to which New Jersey state government agencies have adopted diversity management initiatives, and the extent to which they have achieved a diversified workforce, as set out in the state's strategic mission. Given the importance of representative bureaucracy, it is essential to acknowledge that New Jersey state agencies are making efforts to achieve this objective. We observed a steady increase of workforce diversity in New Jersey state government as a whole. The diversity index MV increased from 0.676 in 2002 to 0.710 in 2007 — a 5 percent rise. We found that most agencies increased their workforce diversity to some degree and that the highest increase reached 18.17 percent.

Our analysis also shows empirically that the development of a strategic diversity management system is positively linked to this result. The SDM, implemented in our model as an internally connected diversity management system, could bring out public organizations' best performance both in workforce diversity and other outcomes, such as lower minority employee turnover rate. Among the four diversity management practices we investigated, we found that diversity training, diversity promotion, and diversity

discipline contributed to the increase of workforce diversity, while diversity promotion and diversity discipline contributed to the decrease of minority employee turnover.

Moreover, we noted that there is more diversity in entry-level job positions than in professional-level positions. This phenomenon leads to another interesting finding: Workforce diversity affects the minority employee turnover rate differently at these two levels. At the entry level the minority employee turnover rate is negatively affected by workforce diversity, while at the professional level there is no noticeable effect on the turnover rate.

These findings have obvious implications for future diversity management programs development in public administration. Combined with other research on the effects of diversity management, this study sheds new light in the field, and, we hope, will result in more support for diversity management both from practitioners and researchers.

Theoretical and Managerial Implications

Theoretical Implications

This study has several theoretical implications for the field of diversity management in public administration.

First, it provides empirical data to support diversity management. In light of Pitts's comprehensive diversity management model, we built a simplified exploratory model, and with collected data from New Jersey state government agencies we tested diversity management's effects. The results show that diversity management does in fact add value to organizations by increasing workforce diversity and decreasing the minority turnover rate. Therefore one important contribution of this study is adding empirical data to

support diversity management's long-asserted positive outcomes. As Wise and Tschirhart (2000) argued, there has not been much empirical research to test diversity management's effects, and diversity management would not be accepted by public managers without evidence of its positive results. Our study fills in this gap by empirically showing that organizations with better diversity management tend to have more workforce diversity and lower minority turnover rates. We expect that with more related research following this study, diversity management will get wider acceptance among public managers.

Second, we applied strategic human resources management (SHRM) to diversity management to relate this topic to the more encompassing paradigm of strategic management. Following Wright and McMahan's research, we first argued that workforce diversity is a strategic resource with characteristics that are rare, inimitable, and nonsubstitutable. Then we discussed the necessity of strategically managing this resource, especially in the public sector. Finally, we applied SHRM to diversity management to build a framework of strategic diversity management. We argued that diversity management would achieve its best results when implemented as a synergetic system. Strategic diversity management, in our model, means a group of complementary diversity management practices connected by a single organizational goal. It will bring organizations positive results even if some of the practices are less effective than others. We noticed that diversity management practices in the public sector usually do not have many fancy initiatives, compared with their private sector counterparts, and they are implemented in quite a different manner. Despite these variations, the resource-based view of strategic diversity management borrowed from the private sector seems quite valid.

Finally, we have added evidence that workforce diversity increases organizational performance. Workforce diversity has long been recognized as an important issue for public officials and managers. However, there is still doubt about its necessity, because the empirical findings of its effects are mixed. In this study we found that diversity at the entry level brings organizations a positive outcome: a decreased minority turnover rate. Therefore this study empirically supports the argument that workforce diversity is not a cost to organizations; instead, it is a critical source of competitive advantage for organizations to maintain.

Managerial Implications

What should public managers do if they care about workforce diversity and diversity management?

First, our findings suggest that diversity management practices work better as a bundle. This indicates that the best way to implement diversity management would be to have a system of complementary diversity management practices connected to the organization's strategic goals. As many strategic human resources management bundle studies have indicated, a strategic diversity management system can greatly affect organizational performance. Our findings show that the diversity management bundle has positive effects on both workforce diversity and minority employees' turnover rate. Therefore organizations with strategic diversity management systems are more likely to perform their best and reach their strategic goals more quickly.

Second, our findings show that diversity promotion is an important predictor of workforce diversity and minority turnover rate. We suggest that public managers make an extra effort to promote minority employees in their organizations. This would have

symbolic importance for other minority employees, showing them clear career paths within their organizations.

Third, our findings show that disciplining minority positively affects diversity and minority turnover rate (MTR). We wouldn't suggest increasing the number of minority employees who are disciplined. Instead, we believe disciplining minority can bring public organizations both benefits and negative results. The key is to implement it properly. As Manz and Sims (1981) argued, when implemented right, employee discipline can work as a learning opportunity for other employees and restate organizational rules. We suggest that managers use disciplining minority fairly and skillfully turn it into an education opportunity for other employees.

Finally, we found that the entry level has more workforce diversity than the professional level. This result confirms the concerns that many researchers have about diversity management programs. Although we observe more workforce diversity for public organizations as a whole, most minority employees are clustered in entry-level positions, with managerial or professional jobs still mostly occupied by whites. Therefore we encourage public organizations to actively hire and promote more minority employees to the professional level, for a truly diversified workforce. We also found that workforce diversity affects managerial and entry-level employees differently. As diversity policies are made by managers and professionals, we suggest that managers involve more entry-level employees in the policymaking process, to achieve more-effective implementation of diversity management programs.

Limitations and Future Research

In many ways, this study serves as an exploration in understanding workforce diversity, diversity management, strategic human resources management, and their important organizational outcomes, such as minority employee turnover rates. It also works as a status check for New Jersey state government agencies to assess how much they have achieved in their strategic goal — increasing workforce diversity —how much their diversity management efforts have varied among agencies, and how this variation affects the realization of their strategic goals. However, this study has several limitations, mainly because of the limitations of the data.

As Wise and Tschirhart (2000) found in a meta analysis, there has been little research into the broadness of the dimensions of diversity. The diversity dimensions with the most coverage are sex and ethnicity/race. Less research has been conducted on diversity dimensions such as age, organizational tenure, educational level, and work experience. They did not find any studies specifically addressing disability. Moreover, researchers and practitioners have long ignored other dimensions of diversity, such as nationality, sexual orientation, religious affiliation, and variations between part-time and full-time work. The reason for this can be explained in part by the comparative difficulty in gathering the relevant data of some of the aforementioned dimensions —for example, sexual orientation and religious data. Our study has the same data limitation. Therefore, we suggest that future research should include previously underexplored dimensions, such as age, organizational tenure, educational level, nationality, disability, and differences between part-time and full-time workers, in their diversity management models.

Ideally, to test the effectiveness of diversity management, we would have both subjective and objective measures for the organizational outcomes. Subjective measures such as employee job satisfaction and employee commitment would be measured by survey questions such as “This organization really inspires the best in me by way of job performance” and “I am willing to put in a great deal of effort beyond that normally expected in order to help this organization be successful,” with employees’ answers entered on a scale. Combined with objective measures such as an agency’s performance ranking and employee turnover rate, we could better evaluate the success of public organizations at diversity management.

Similarly, we suggest future studies to measure variables with more dimensions. For data limitation, in this research we measured diversity training by the total training hours. In future research, scholars could also measure the availability of diversity training, the amount of money spent on diversity training, the opportunities for diversity training, the priority on diversity training. These items captured major aspects of diversity training, such as money and time spent on training, which reflects the commitment from top management on this practice.

Also, to build a comprehensive diversity management model, we would also suggest having other contextual variables controlled, such as political influence. Political influence is critical factor in public organizations affecting outcomes. As many scholars argued, political influence may be the real reason for many public policy implementations instead of some other claimed motivation. Therefore, we would suggest future research include political influence into their diversity management model.

Finally I suggest future studies include tenure data for individuals in their diversity management investigation. An employee's demographic background, recruitment, training, and promotion, as well as diversity management practices' impact on him or her, his or her perception of the success of the organization's diversity management would be critical information for us to truly understand diversity management process.

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