

Role of Diversity Climate on Employee Satisfaction and Intent to Leave in Indian IT Personnel

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ABSTRACT

Workforce diversity is one of the cornerstones of Indian Information Technology (IT) sector's success as companies need to leverage the skills and talent of a diverse pool of employees. Diversity initiatives and programs in organizations are essentially implemented in order to improve the overall organizational diversity climate. Studies undertaken on diversity climate have revealed that a healthy organizational diversity mostly has a positive effect on individual and organizational variables. The present study determines the relationship of perceived organizational diversity climate with overall employee satisfaction, and intent to leave of employees working in the Indian IT sector. It also attempts to answer whether employees perceiving low and high organizational diversity climate differ in regard to their satisfaction level and intent to leave. The results based on a web based survey of 500 Indian IT professionals reveal that organizational diversity climate is positively correlated to employee satisfaction and negatively correlated to employee's intent to leave. The analysis also shows that employees who perceive high level of diversity climate have better satisfaction level and lesser intent to leave than those who perceive a lower level of organizational diversity climate.

Keywords: Employee satisfaction, information technology, intent to leave, diversity climate, workforce diversity

1. INTRODUCTION

First step in undertaking any study on diversity is to define what 'diversity' means. Hayles (1996), for instance, defines diversity as, "All the ways in which we differ." In the context of organizations, Henry and Evan (2007) point that diversity refers to, "co-existence of employees from various socio-cultural backgrounds within the company. Diversity includes cultural factors such as race, gender, age, color, physical ability, ethnicity, etc."

Cox and Blake (1991) offered a framework featuring six ways in which effective management of diversity has the potential to create a competitive advantage for firms.

The framework provides six main arguments for workforce diversity, "Cost Argument, Resource Acquisition Argument, Marketing Argument, Creativity Argument, Problem-Solving Argument, and Values Argument." These arguments are relevant even today and as organizations become increasing global in nature; the importance of workforce diversity is felt like never before. Companies have started to understand the business case of diversity and are implementing diversity practices to attract and retain a heterogeneous group of employees.

The Indian Information Technology (IT) sector operates in a 24x7 environment which is not only multinational but multicultural in nature as well. Niederman and Ferratt (2006) state that as more and more countries enter the outsourcing market, they bring with them a new dimension of diversity in terms of language, culture, workforce composition. Workforce diversity is one of the cornerstones of Indian IT sector's success as companies need to leverage the skills and talent of a diverse pool of employees. According to Executive Director of PwC India, Alaganandan (2011), to be sustained and to yield result in the IT sector, diversity efforts must entail more than just initiatives or stand-alone programs that can be toppled by budget cuts or become victims of lethargy.

All the best practices in diversity management or diversity initiatives and programs are essentially implemented in order to improve the overall organizational diversity climate. According to Chin (2009) a positive organizational diversity climate will be intolerant of workplace harassment and discrimination, whereas a negative diversity climate will convey to employees that harassment and discrimination are tolerated by the organization.

The Interactional Model of Cultural Diversity (IMCD), developed by Cox (1993) suggests that a variety of phenomena related to differences in the group identities of workers combine to create potent effects on their career experiences, and that diversity also has direct effects on certain performance measures or work outcomes (Cox and Beale, 1997). Two of the measures on which impact of diversity climate is studied in this paper are employee satisfaction and intent to leave.

Job satisfaction essentially is an employee's attitude toward his or her job. It is typically defined as an employee's level of positive affect toward his or her job or job situation (Jex, 2002). Turnover intention or intent to leave measures an individual's conscious and deliberate plan to leave the organization and is the last in a sequence of withdrawal cognitions that strongly predicts actual withdrawal (Tett and Meyer, 1993). Employees with less satisfaction and level of engagement generally score high on the intent to leave measure. Intent to leave if gets translated into high turnover is very costly for the organization and can also have an adverse impact on the organization's public image.

2. LITERATURE REVIEW

Studies undertaken on diversity climate have revealed that a healthy organizational diversity mostly has a positive effect on individual and organizational variables. Buttner et al. (2010) conducted a survey of 182 professionals of color and found that diversity climate affects organizational commitment and turnover intentions.

Allen et al. (2008) found that employee perceptions of diversity at the senior management level of an organization are positively related to perceptions of organizational performance. McKay et al. (2007) found that a pro-diversity climate reduced turnover intentions and increased organizational commitment for both majority and minority employees of a US national retail organization.

Hankins (2005) in his doctoral dissertation found that individuals reporting high diversity acceptance environments also reported higher levels of perceived organizational support and higher levels of job satisfaction. Caldwell et al. (2000) found that job satisfaction and affective commitment correlated positively with organizational fairness and inclusion, while the corresponding correlations of intent to leave were negative.

Hicks-Clarke and Iles (2000) studied diversity climates within the retail industry and the UK national health service (NHS) and what factors of diversity climate impact on managerial career and organizational attitudes and perceptions, showing the impact of climate perceptions on individual career and organizational attitudes and perceptions, such as commitment, job satisfaction, satisfaction with supervisor, career commitment, career satisfaction, and career future satisfaction.

Despite many studies being conducted to determine the impact of organizational diversity climate on various personal and organizational variables, there is a paucity of such research conducted for the Indian Information

Technology sector. Hence, the present study is relevant and vital in the current workplace dynamics of the Indian IT sector.

3. PROBLEM AND HYPOTHESES

The first problem of the research is to determine what is the relationship of perceived organizational diversity climate with overall employee satisfaction, and employee's intent to leave?

Following hypotheses and their alternate hypotheses are developed for this problem:

- H₁₀: Organizational diversity climate will not have a positive relationship with overall employee satisfaction level.
- H_{1A}: Organizational diversity climate will have a positive relationship with overall employee satisfaction level.
- H₂₀: Organizational diversity climate will not have a negative relationship with employees' intent to leave.
- H_{2A}: Organizational diversity climate will have a negative relationship with employees' intent to leave.

The second problem to research is whether employees perceiving low and high organizational diversity climate differ in regard to their satisfaction level and intent to leave?

Following hypotheses and their alternate hypotheses are developed for this problem:

- H₃₀: There will be no difference between overall employee satisfaction levels of employees who perceive high and low levels of organizational diversity climate.
- H_{3A}: There will be a difference between overall employee satisfaction levels of employees who perceive high and low levels of organizational diversity climate.
- H₄₀: There will be no difference between intent to leave of employees who perceive high and low levels of organizational diversity climate.
- H_{4A}: There will be a difference between intent to leave of employees who perceive high and low levels of organizational diversity climate.

4. METHODOLOGY

A. Design and Procedure

The research design for this study was a non-experimental design using self-administered Web-based questionnaire for data gathering. Purposive sampling was used to select IT professionals from various databases

available on professional networking website. The survey was conducted via email invitation to a Web-based questionnaire created on Google Docs.

B. Sample

Out of the 950 emails sent to professionals working in the IT sector, a total of 519 completed responses were received resulting in a response rate of 54.63 percent. Out of these 500 responses were randomly chosen for data analysis.

C. Tools

A survey was created based on Yeo (2006) dissertation which developed a multidimensional measure of climate for diversity. This measure is useful for researchers as an assessment tool for organizational diagnosis. The survey questions were adapted to suit IT professionals and also it was made relevant to the Indian context. Few subscales which were not relevant were removed from the original survey. Inputs were also taken from Bhagat (2009).

Thirty-three items were used to determine the organizational climate for diversity. A maximum of 165 and a minimum of 33 was possible as the score of organizational diversity climate.

Overall Employee Satisfaction: Five items were used to measure employees' overall satisfaction with their organization and work in general. Sample items were, "Overall, I am satisfied with my company", and "I am

satisfied with the overall quality of work I do at my organization". The maximum score obtained for this measure was 25 and a minimum possible score was 5.

Intent to Leave: All the three items measured whether employees had intentions or thoughts of leaving their organization for another company. A sample item read, "I often think about leaving this organization". For this variable, highest score of 15 could be obtained, whereas the lowest score possible could be 3.

5. DATA ANALYSIS

A. Relationship between Organizational Diversity Climate and Overall Employee Satisfaction Level

A Pearson product-moment correlation coefficient was computed to assess the relationship between organizational diversity climate and overall employee satisfaction level. Pearson's product moment correlation analysis gave an obtained r-value of 0.786 which was greater than the critical r-value (0.104) at 0.01 level with 498 degrees of freedom for one-tailed test.

The result indicates that organizational diversity climate is positively correlated to the overall employee satisfaction level. A scatterplot (Fig1) depicts the relationship between organizational diversity climate and overall employee satisfaction level.

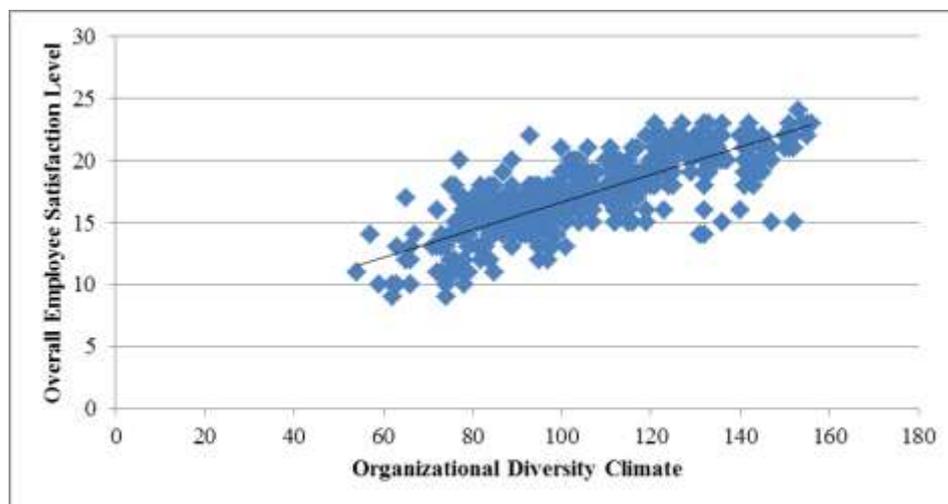


Fig 1. Relationship between Organizational Diversity Climate and Overall Employee Satisfaction Level

B. Relationship between Organizational Diversity Climate and Intent to Leave

A Pearson product-moment correlation coefficient was computed to assess the relationship between organizational diversity climate and intent to leave. Pearson's product moment correlation analysis produced

an r-value of (-)0.587 which was greater than the critical r-value (0.104) at 0.01 level with 498 degrees of freedom for one-tailed test.

The result implies that organizational diversity climate is negatively correlated to the intent to leave. A scatterplot

(Fig2) depicts the relationship between organizational diversity climate and intent to leave.

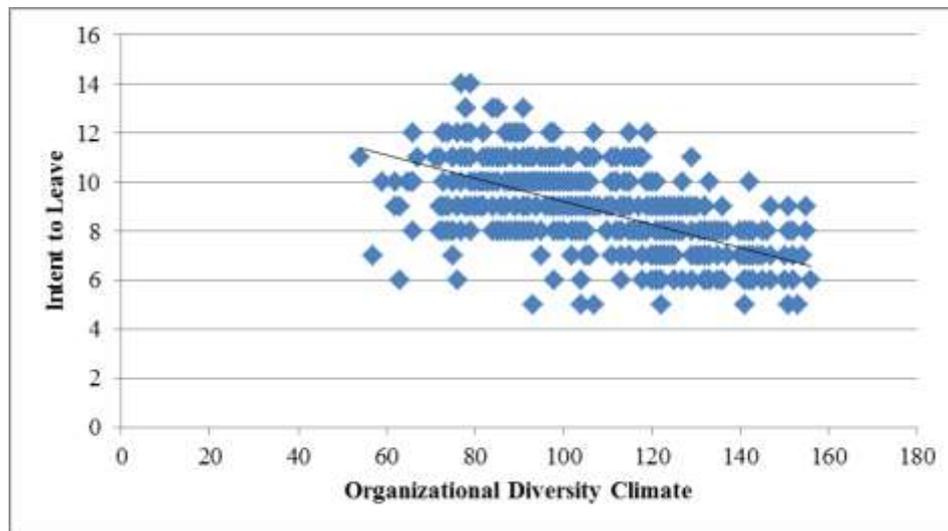


Fig 2. Relationship between Organizational Diversity Climate and Intent to Leave

In order to study the second problem of this research, we needed to find out how employee satisfaction and intent to leave varied for high and low perceived organizational diversity climate. In order to perform the relevant statistical tests, respondents were grouped into “low diversity climate” and “high diversity climate” groups. Low diversity climate was operationalized by a sum score of equal to or less than 99 of the organizational diversity climate measure. A sum score of 100 or above operationalized high diversity climate.

C. Difference in Overall Employee Satisfaction Level for High and Low Perceived Organizational Diversity Climate

An independent-samples t-test was conducted to compare the overall satisfaction levels between employees perceiving low and high diversity climates.

Table 1. Group Statistics for Overall Satisfaction Level Score by High and Low Organizational Diversity Climate

	N	Mean	SD	Standard Error Mean	t
High Diversity Climate	282	19.096	2.2196	0.132	20.623
Low Diversity Climate	218	14.922	2.2756	0.154	

There were significant differences in the overall satisfaction level scores of employees who perceive high diversity climate (M=19.096, SD=2.219) and employees who perceive low diversity climate (M=14.922, SD=2.276); $t(498)=20.623$, $p=0.05$ (Table 1). The obtained t-value 20.623, is higher than the critical t-value 1.960 at 0.05 alpha level with 498 degrees of freedom. More specifically, these results suggest that employees who perceive high diversity climate and employees who perceive low organizational diversity climate truly differ in their overall satisfaction levels. In other words, overall

satisfaction level is more for the employee group which perceives high organizational diversity climate than in the group which perceives low organizational diversity climate.

D. Difference in Intent to Leave for High and Low Perceived Organizational Diversity Climate

An independent-samples t-test was conducted to compare the intent to leave between employees perceiving low and high diversity climates.

Table 2: Group Statistics for Intent to Leave Score by High and Low Organizational Diversity Climate

	N	Mean	SD	Standard Error Mean	t
High Diversity Climate	282	8.135	1.5451	0.092	-13.664
Low Diversity Climate	218	9.982	1.4367	0.097	

There were significant differences in the intent to leave scores of employees who perceive high diversity climate ($M=8.135$, $SD=1.545$) and employees who perceive low diversity climate ($M=9.982$, $SD=1.437$); $t(498)=13.664$, $p=0.05$ (Table 2). The obtained t-value 13.664, is higher than the critical t-value 1.960 at 0.05 alpha level with 498 degrees of freedom. More specifically, these results suggest that employees who perceive high diversity climate and employees who perceive low organizational diversity climate truly differ in their intent to leave. In other words, intent to leave is higher in employees who perceive low organizational diversity climate than in those employees who perceive high organizational diversity climate.

6. RESULTS AND DISCUSSION

The first problem of this research focused on establishing a relationship between the perceived organizational diversity climate and two output variables viz. overall employee satisfaction, and intent to leave.

Hypothesis 1: Hypothesis 1 addressed whether there was a positive relationship between organizational diversity climate and overall employee satisfaction level. Correlation test indicated that a positive relationship existed between organizational diversity climate and overall employee satisfaction level; $r=0.786$, $p=0.01$. Therefore, the null hypothesis (H_{10}) is rejected and the alternate hypothesis (H_{1A}) is accepted. Thus, the evidence suggests that as perception of organizational diversity climate increases the overall employee satisfaction level also increases.

The correlation of diversity climate and employee satisfaction implies that a healthy diversity climate is an indicator of high employee satisfaction level. Although the study did not explore a causal relationship, the result does suggest that increasing the organization diversity level is likely to raise the employee satisfaction level.

Hypothesis 2: Hypothesis 2 addressed whether there was a negative relationship between organizational diversity climate and employees' intent to leave. Correlation test indicated that a negative relationship existed between organizational diversity climate and intent to leave; $r=(-)0.587$, $p=0.01$. Therefore, the null hypothesis (H_{20}) is rejected and the alternate hypothesis (H_{2A}) is accepted. Thus, the evidence suggests that as perception of organizational diversity climate increases, employees' intent to leave decreases.

Intent to leave is found to be negatively associated with organizational diversity climate, and even though causal relationship between the two variables is not explored, it can be inferred that as diversity climate becomes more positive, employees' turnover intention decreases.

The second problem of this study aimed to determine whether employees perceiving high and low organizational diversity climate differed in regard to satisfaction, and intent to leave.

Hypothesis 3: Hypothesis 3 addressed whether there was any difference in overall employee satisfaction levels between employees who perceived high and low levels of organizational diversity climate. An independent-samples t-test was conducted to compare the overall employee satisfaction levels between employees who perceived high and low levels of organizational diversity climate; $t(498)=20.623$, $p=0.05$. The t-test indicated a statistically significant difference in the overall employee satisfaction levels between employees who perceived high and low levels of organizational diversity climate. Therefore, the null hypothesis (H_{30}) is rejected and the alternate hypothesis (H_{3A}) is accepted. Thus, the evidence suggests that overall satisfaction level is different between employees who perceive high and low level of organizational diversity climate, with satisfaction level being more in those who perceive a higher level of organizational diversity climate than in those who perceive a lower level of organizational diversity climate.

A strong diversity climate sends a strong message to employees about the commitment and value of an inclusive work environment. This in turns positively impacts the motivation, and satisfaction level of employees. Employees perceiving a favorable diversity climate would feel respected, valued, and would also be able to contribute to their full potential. This in turn would impact customer satisfaction, and eventually the company's bottom line.

Hypothesis 4: Hypothesis 4 addressed whether there was any difference in intent to leave between employees who perceived high and low levels of organizational diversity climate. An independent-samples t-test was conducted to compare the intent to leave between employees who perceived high and low levels of organizational diversity climate; $t(498)=13.664$, $p=0.05$. The t-test indicated a statistically significant difference in the intent to leave between employees who perceived high and low levels of organizational diversity climate.

Therefore, the null hypothesis (H_{40}) is rejected and the alternate hypothesis (H_{4A}) is accepted. Thus, the evidence suggests that intent to leave is different between employees who perceive high and low level of organizational diversity climate, with intent to leave being lesser in those who perceive a higher level of organizational diversity climate than in those who perceive a lower level of organizational diversity climate.

A favorable diversity climate not only attracts new talent but helps retain the old talent as well. Turnover intentions generally results from push factors like lack of interest in the job, bad working climate and pull factors like availability of opportunities in the market. Positive organizational diversity climate reflects an overall positive organizational climate and work environment. Work outcomes, work relationships are all impacted by organizational climate. When these variables are favorable for employees, intent to leave is definitely lowered. Thus, organizational diversity climate not only eliminates the push factors but lowers the influence of pull factors also, in turn lowering employee's turnover intentions.

7. CONCLUSION

A healthy diversity climate impacts several employee and organizational variables like the ones studied in this paper, viz. employee satisfaction, and intent to leave. Improving workforce diversity results in a better organizational diversity climate which in turn proves beneficial for the company in several ways. Not only does the company's bottom line improve but its organizational image is also positively influenced. Thus, the Indian Information Technology sector needs to understand the impact of diversity seriously and take measures to improve the organizational diversity climate so that all employees feel they are treated equally and fairly.

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