

Gender diversity in management and firm performance: the influence of growth orientation and organizational culture[☆]

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Abstract

This study examines the influence of gender diversity in management on firm performance. The management group examined was composed of all firm members considered to be managers and officials, a broader level of analysis than past management-level diversity research that has primarily focused on groups composed of top management team (TMT) members. Adopting contingency and configurational approaches, gender diversity's interactions with two key organizational variables—organizational culture and growth orientation—were evaluated against organizational-level performance measures. Supporting contingency theory and configurational theory, the results suggest that gender diversity's effects at the management level is conditional on, that is, moderated by, the firm's strategic orientation, the organizational culture in which it resides, and/or the multivariate interaction among these variables. These findings help reconcile conflicting results of past diversity–performance research by suggesting that an appropriately configured and supportive organizational environment may need to be in place before the beneficial aspects of gender diversity can be fully realized.

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1. Introduction

Considerable progress has been made with respect to gender diversity in management as women increasingly move into the managerial ranks (Elsass and Graves, 1997). Yet, gender diversity in management has received insufficient attention in the research literature. Strategic management researchers have studied diversity primarily in terms of tenure, education, and functional background. The domain of work force diversity, however, encompasses a broader demographic perspective (Cox, 1994). Furthermore, scholars have recently noted that different types of diversity have divergent effects within organizations (Pelled, 1996; Pelled et al., 1999). In particular, Pelled (1996) argues that nonvisible attributes have quite different effects on performance than do visible attributes. Thus, knowledge of one type of diversity's impact on the firm may provide little, if any, insight into another type's influence.

In addition, past top management group research has generally limited its examination of group diversity effects to the top management team (TMT) (Finkelstein and Hambrick, 1996). Yet, studies have shown that middle managers play a key role in influencing strategic decision-making and implementation (e.g., Burgelman, 1994; Floyd and Woolridge, 1992; Kanter, 1982). We seek to extend this research and more fully examine gender diversity's effect at the managerial level. We do so by broadening our examination of the management group to include not only senior executives who *set* corporate strategy and policies but also those managers who *implement* these policies—middle management, department managers, and salaried supervisors.

Empirical support for the diversity–performance link has, in general, been mixed (Williams and O'Reilly, 1998). This suggests that the influence of diversity on firm performance may, at least in part, depend on the organizational context. That is, the effect of diversity on performance may lie in the interaction of diversity with contextual variables. However, little empirical research has been completed in this regard. Consistent with a growing body of organizational demography research adopting a contingency approach (e.g., Hambrick et al., 1996; Neale et al., 1999;

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Pelled et al., 1999; Richard, 2000; Smith et al., 1994) and strategic human resource management research espousing a configurational approach (e.g., Baker and Cullen, 1993; Delery and Doty, 1996; Dess et al., 1993), we position diversity within a broader set of interrelated strategic and organizational variables. Overall, this study attempts to answer the following research question: In what *context* does gender diversity in management impact firm performance? In doing so, we focus on two key contextual variables—growth orientation and organizational culture.

2. Conceptual background and hypotheses

2.1. Gender diversity in managerial ranks

According to upper-echelons theory, senior-level managers (i.e., the TMT) have a critical impact on firm performance given the significant organizational decisions they are empowered to make (Finkelstein and Hambrick, 1996). However, research focused at the TMT level of analysis has reported conflicting results with regard to the relationship between diversity and performance. Some researchers report a negative relationship between TMT heterogeneity and firm performance. They conclude that diverse TMTs are more difficult and costly to coordinate and control than homogeneous teams and that the added costs impede performance (Ancona and Caldwell, 1992; Murray, 1989). Other studies, however, have found a positive association between TMT diversity and performance, indicating that diversity may enhance the breadth of perspectives, cognitive resources, and overall problem-solving capacity of the team (Bantel and Jackson, 1989; Hambrick et al., 1996; Smith et al., 1994).

In an attempt to explain these contradictory results, we explore whether diversity's influence on firm performance is more fully realized when the management group's level of analysis is broadened to include middle managers and other midlevel officials and supervisors along with TMT members. Past TMT studies have generally not taken into account the perspective that the strategy process involves *multiple* levels of management (Burgelman, 1994; Floyd and Wooldridge, 1992). For example, Kraut and Pedigo (1986) found that while top-level managers monitored the environment, middle managers coordinated departments and/or groups, and lower-level managers supervised subordinates. Furthermore, although top-level managers are responsible for defining the overall strategic context, middle management's contribution to the strategy process is also crucial because they are often first to identify strategic problems and opportunities (Burgelman, 1994; Wooldridge and Floyd, 1990), serving as an important source of strategic alternatives (Burgelman, 1994; Van Der Velde et al., 1999).

In addition, TMT strategic initiatives and directives are ineffectual without lower-level managers directing their staffs' activities to *implement* the strategy (Burgelman,

1994; Kanter, 1982). Studies of mid-management's influence on the strategic management process have shown, in fact, a positive relationship between their involvement in strategy and firm performance (Schilit, 1987; Wooldridge and Floyd, 1990). Indeed, as Floyd and Wooldridge (1992, p. 155) noted, "Implementation of top management's strategy is often considered the key strategic role of middle-level managers." Firms' strategic performance thus relies not only on top managers but the entire pool of managers and officials (Floyd and Wooldridge, 1994, 1997).

In sum, it may be that the benefits of diversity in general, and gender diversity in particular, are more fully realized when the breadth of perspectives imbued in a diverse management group benefit not only the TMT-led strategic decision-making process but also the strategic implementation phase in which middle managers are primarily involved. We address this potentially significant gap in the literature by integrating upper echelons and middle management perspectives as they relate to gender diversity and firm performance.

2.2. Contingency approach

Some researchers investigating the impact of diversity on performance have taken a contingency approach by examining factors that interact with diversity (Neale et al., 1999; Richard and Johnson, 1999). Jackson (1992) proposes that heterogeneity is beneficial for unstructured, novel tasks but not for routine tasks. Richard and Johnson (1999) posit that diversity's beneficial effects are more likely to be realized when firms' business strategies and organizational cultures are compatible. Richard (2000) found that firm-level racial diversity benefited firms pursuing growth strategies but was detrimental to downsizing firms. The breadth of perspectives and creativity provided by a diverse work force thus appear favorable in certain contexts. Similarly, in the appropriate setting, gender diversity in the management ranks may contribute to performance gains (Williams and O'Reilly, 1998). Next, we explore the role that firm growth and organizational culture may play in the gender diversity–performance relationship.

2.2.1. Growth orientation

Organizations pursuing growth seek to gain economies of scope by spreading risks over a broader base and gaining the benefits of skill transfer such as technical expertise or managerial know-how (Pearce, 1982). Growth is thus best pursued when a firm has appropriate and sufficient human capital to manage an expanding organization. Cultural diversity can provide the breadth of experience and knowledge (McLeod et al., 1996) that is likely to benefit a firm pursuing such growth. A growth-oriented, culturally diverse organization benefits from employees who are flexible in their thinking and who are less likely to be concerned about departing from the norm (Richard, 2000; Schuler and Jackson, 1987). Furthermore, if an organization overcomes

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