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Workplace Diversity in a Canadian Context: Evaluating Moderators as a Means of Improving Organizational Performance

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In an effort to address an increasingly heterogenous workforce created by a progressively integrated global economy, as well as to uphold justice among employees in the workplace, organizations continue to leverage workplace diversity as a fundamental component of organizational strategy. In doing so, organizations assess the relationship between diversity and organizational performance, and whether the pursuit of a heterogenous workforce is not only morally imperative, but also a worthwhile strategy for effectively achieving and surpassing organizational objectives. Workplace diversity is often regarded as a fundamental component of organizational strategy. The business case for diversity proposes that workplace diversity is a means by which organizations can improve organizational performance (Roberson, 2019). However, a state of workplace heterogeneity has also been regarded as a divisive force that impedes group functioning and detracts from an organization’s efficacy and profitability, thereby having negative effects on organizational performance (Herring, 2009).

There are inconsistent empirical findings surrounding diversity, which match the dual arguments that a diverse workforce can be both critical to business performance and also highly disruptive. Some studies find that diversity is helpful, others find that diversity negatively affects things such as productivity and collaboration, and still others show diversity as having no effect on an organization’s ability to meet its objectives (Webber et al., 2001). The inconsistent findings surrounding the relationship between workplace diversity and organizational performance signifies an unsettled, ambiguous relationship that demands further examination. Thus, due to the equivocal effect of workplace diversity on organizational performance, academic scholars have shifted their focus to explore various moderators of diversity to explain and synthesize the
contradictory outcomes of workplace heterogeneity (Guillaume et al., 2017; Nishii et al., 2018; Richard, 2000; Stahl et al., 2010; van Knippenberg & Schippers, 2007).

The purpose of this paper is to consolidate the academic findings on the relationship between workplace diversity and organizational performance, especially the role of moderators within this relationship, and to then apply these overarching findings to a Canadian context. In terms of diversity, Canada is often depicted as a cultural mosaic in which ethnic groups maintain their distinctiveness while functioning as part of the larger Canadian society (Palmer, 1976). The metaphorical depiction of Canada as a cultural mosaic remains substantiated by the nation’s growing immigrant population; as of 2016, over a quarter of Canada’s working population are immigrants and by 2036, this proportion is expected to reach approximately 34% (Statistics Canada, 2019). While Canada continues to embody a pluralistic society characterized by increasing diversity in culture, ethnicity, religion, gender, and age, the ability to optimize the potential yielded by growing heterogeneity within workforces has an important bearing on the social and economic success of Canadian organizations.

In what follows, I first explore the current conceptualizations of diversity to acknowledge the existing classifications of the varying facets of diversity. I then examine the outcomes of diversity and provide a framework for conceptualizing moderators in the relationship between diversity and organizational performance. This framework categorizes prevalent moderators as individual-, group-, and organization-level moderators. The examination of moderators is critical as the use of moderators reconciles the unsettled relationship between workplace diversity and organizational performance. Finally, using this categorization, I decipher the implications of organization-level moderators, the most relevant moderator category, in a Canadian context and
propose a number of actions that would enable Canadian organizations to better benefit from diversity.

**Literature Review**

Workplace diversity is a domain of academic research that has yielded well-established frameworks by which scholars have approached the notion of diversity. Consequently, this review begins with an exploration of the various conceptualizations of diversity that have been employed among scholars. The conceptualizations of diversity provide a basis for reviewing the research findings on workplace diversity as it relates to organizational performance.

**Conceptualizations of Diversity**

The notion of diversity refers to any compositional differences among people within a work unit (Roberson, 2019). Since such differences allow for perceptions that individuals are similar to, or different from others within a work unit, various conceptualizations of diversity have emerged within the field of organizational behaviour. A common conceptualization of diversity distinguishes between diversity attributes based on the degree to which they are observable or readily detectable (Harrison et al., 1998; Milliken & Martins, 1996). Whereas observable or readily detectable elements of diversity include race, ethnic background, age, and gender, non-observable or underlying attributes refer to less visible characteristics such as education, technical abilities, functional background, tenure in an organization, or socioeconomic background. The former category consists of inborn or natural characteristics, whereas the latter is primarily composed of acquired or developed attributes (Roberson, 2019). The two-category classification of attributes is particularly useful for identifying the nature of a particular response to diversity; when differences between individuals are visible, they are likely to evoke responses caused by inherent biases, prejudices, or stereotypes. Furthermore, it is also important to note that despite a categorical
approach to conceptualizing diversity, observable and non-observable attributes are not mutually exclusive; it is possible for observable ethnic differences to be associated with non-observable attributes such as socioeconomic status, for example (Milliken & Martins, 1996).

While the observable and non-observable categorization of diversity remains the most common approach to conceptualizing diversity, additional conceptualizations of diversity are worth noting. Lau & Murnighan (1998) developed the theory of demographic faultlines – the notion that particular lines of separation divide a group into smaller identity groups based on members’ demographic attributes. Stemming from the theory of demographic faultlines, organizational groups are often considered to be diverse in terms of organizational cohort membership. The notion of organizational cohort membership suggests that individuals who join organizations or subunits at the same time develop similar identification and communications patterns (Pfeffer, 1985). In turn, diversity with respect to organizational cohort membership may impact patterns of interaction among group members. An additional conceptualization of diversity distinguishes between attributes based on their job-relatedness – the degree to which they capture informational resources relevant to task performance (Pelled, 1996). This approach suggests that varying cognitive resources and experiences relevant to work tasks are considered to be job-related and thus, impact overall performance. In contrast, differences that are not relevant to work tasks are often demographic attributes and are less influential to performance in terms of the elaboration of knowledge and perspectives. While progress in diversity research has yielded multiple typologies for describing the compositional differences among people within a work unit, this review utilizes the most commonly-used conceptualization – the categorization of diversity attributes as observable or non-observable.
Outcomes of Diversity

Studies of workplace diversity have focused on a multitude of outcomes to assess the impact of heterogeneity on organizational performance. Research pertaining to workplace diversity has mainly explored two sets of outcomes: social integration variables (e.g., conflict, cohesions, attachment, identification) and performance-related variables (e.g., organizational performance and work group performance and innovation). While some researchers have shown that differences between demographic groups undermine both social cohesion and work group cohesion (Leslie, 2017), other scholars have found no overall relationship between work group diversity and cohesion (Webber et al., 2001). Research has also indicated inconsistent findings associated with collective team identification; Kearney & Gebert (2009) indicated that workplace diversity was both positively and negatively correlated with collective team identification depending on the presence of transformational leaders.

Similar to the variability of outcomes surrounding social integration variables, performance-related outcomes have demonstrated inconsistency. Whereas some scholars have found organizational diversity to be positively related to organizational performance, such as when organizations pursued a growth or innovation strategy (Richard, 2000), others have underscored the negative impact that organisational diversity has on organizational performance in resource-scarce environments (Andrevski et al., 2014). Furthermore, researchers have examined the impact of cultural diversity on group performance (Herring, 2009; Wiersema & Bantel, 1992). The results of such studies have also been inconsistent, with cultural diversity having a mixed effect on intermediate team outcomes. While some researchers have suggested that cultural diversity yields creativity and the building of novel, useful ideas among members of a team (Herring, 2009), other
researchers have deduced that cultural diversity negatively impacts intermediate team outcomes as it leads to increased conflict among team members (Wiersema & Bantel, 1992).

Finally, in a similar vein, research on the impact of diversity on firm performance has yielded inconsistent results. Proponents of the value-in-diversity perspective have suggested that diversity enriches the workplace by broadening employee perspectives, strengthening their teams, and offering greater resources for problem resolution (Cox, 2001), whereas other researchers have demonstrated that diversity diminishes group cohesiveness and, as a result, employee absenteeism and turnover increase (Tsui et al., 1992). All things considered, main effect studies involving workplace diversity and organizational performance have too often found antithetical findings, and so researchers have shifted to examining diversity moderators to understand the impact of diversity on organizational performance.

How Diversity Improves Organizational Performance Through Moderators

As the inconsistent findings surrounding workplace diversity have become apparent in academic research, scholars have moved away from main effect approaches to studying diversity and have instead moved to examining moderating effects. Research has revealed that certain conditions allow for the potential benefits of diversity to be realized whereas other circumstances magnify the detrimental impact of heterogeneity on organizational performance (Guillaume et al., 2017). By understanding the conditions under which diversity improves organizational performance, managers can avert any detrimental impacts of heterogeneity and effectively capitalize on diversity’s positive effects, thereby leveraging workplace diversity as a means of enhancing organizational performance. Accordingly, as the exploration of diversity moderators has become commonplace among researchers, recent diversity literature has been characterized by a plethora of moderating variables that tend to influence the relationship between workplace
diversity and organizational performance. In the preceding sections, I offer a framework for conceptualizing such moderators by grouping moderators into three broad categories – individual-level, group-level, and organization-level moderators. I then provide an exhaustive analysis of organizational-level moderators, which I believe have significant implications in a Canadian context.

**Individual-Level Moderators**

Individual-level moderators comprise individual psychological factors that moderate the relationship between workplace diversity and organizational performance. These include factors related to intergroup bias (e.g., stereotypes, diversity beliefs, attitudes, and values), as well as information-elaboration (e.g., intelligence, task-specific knowledge, skills and abilities, and individual differences in information-processing motivation) (Guillaume et al., 2017; van Knippenberg & Schippers, 2007). Previous literature has also examined individual-level moderators in the form of personality-related variables among individuals (Knippenberg & Schippers, 2007), personal motivation to promise favourable diversity outcomes (Nishii et al., 2018), as well as behavioural and attitudinal reactions to diversity practices (Nishii et al., 2018).

As a notable example of an individual-level moderator, diversity mindsets – what people think about diversity – are critical to determining whether having a diverse workforce will result in positive or negative outcomes. The effects of diversity are more positive in contexts where individuals have more favourable beliefs about and attitudes toward diversity, are more focused on harvesting the benefits of diversity, and have a better understanding of how to realize such benefits (Knippenberg & Schippers, 2007). Upon examining diverse teams, Homan et al. (2004) demonstrated that gender-diverse decision-making groups are more likely to use their informational diversity when individuals within the group believe in the value of diversity.
Furthermore, Homan et al. (2007) concluded that pro-diversity beliefs enhanced information-elaboration and work group performance. Meyer and Schermuly (2012) found that in addition to those with high task motivation, a diverse group comprised of individuals with pro-diversity beliefs was positively related to team performance. Additionally, van Ginkel and van Knippenberg (2003) concluded that groups reach higher-quality decisions when individuals within those groups have a shared understanding of how to deal with their informational diversity. Based on this evidence, diversity mindsets clearly moderate the relationship between workplace diversity and organizational performance, such that the effects of diversity are more positive in contexts where individuals have more favourable beliefs about and attitudes toward diversity.

**Group-Level Moderators**

Group-level moderators refer to the structural aspects of a team that mediate the association between workplace diversity and organizational performance. For instance, to assess the impact of cultural diversity on outcomes such as communication effectiveness and satisfaction, Stahl et al. (2010) highlighted the mediating role of team size. They found that as team size increases, cultural diversity is associated with reduced communication effectiveness and satisfaction. Additionally, Stahl et al. (2010) also underscored the moderating effect of team dispersion – the degree to which a team’s members were distributed across locations – and found that cultural diversity tends to be associated with higher levels of conflict and lower levels of social integration when teams are co-located than when they are dispersed. In addition to team size and team dispersion, considerable research has also been conducted in examining the impact of the degree of interdependence between group members on the relationship between diversity and organizational performance (Jehn, 1999; Stahl et al., 2010).
Among the group-level moderators examined by scholars, team tenure has received a great deal of attention in diversity research in this categorization of moderators and thus, can be further explored as an exemplar of group-level moderators. Team tenure refers to the amount of time that the members of a team have spent together and is a key factor that moderates the relationship between workplace heterogeneity and organizational performance. Harrison et al. (1998) have advanced the notion that the outcomes of workplace diversity undergo a negative change as groups gain more experience working with one another. In particular, Harrison et al. suggest that extended tenure brings hidden differences among group members to the surface, thereby negatively affecting group processes. However, a number of studies have yielded evidence that the relationship between demographic diversity and organizational performance may become less negative over time (Chatman & Flynn, 2001; Pelled et al. 1999; Sacco & Schmitt, 2005). For instance, Horwitz et al. (2007) found that team tenure positively influenced the quality of debate on decision-making and thus, positively impacted top management team performance.

Scholars have also specifically tested the moderating effect of team tenure on the relationship between cultural diversity and outcome variables such as conflict and effective communication within teams (Stahl et al., 2010). Although Stahl et al. (2010) had hypothesized that cultural diversity would be associated with less conflict in teams with a long tenure and that cultural diversity would yield more effective communication in teams with long tenure, the results of their study indicate otherwise. Stahl et al. (2010) found team tenure to be associated with increased conflict and less effective communication due to the effect of multiple moderators in combination. For instance, teams with longer tenure are likely to have more complex tasks. Thus, more time spent working together on complex tasks provides culturally diverse teams the
opportunity to get into deeper and more difficult issues, for which they may experience task conflict and less effective communication (Stahl et al., 2010).

Despite the findings of Stahl et al. (2010), more recent findings surrounding team tenure indicate a positive relationship between team tenure and team performance (Gonzalez-Mulé et al., 2017). In studying team tenure, Gonzalez-Mulé et al. (2017) specifically define additive team tenure as the average amount of time that team members have spent in a given job, team, or organizational role, which conveys the relevant knowledge and skills that exist within the team. Based on 622 effect sizes reported in 169 studies, Gonzalez-Mulé et al. (2017) found additive team tenure to be positively related to team performance, suggesting that managers should seek to staff teams with individuals who have greater individual experience, greater shared experience among team members, and greater diversity of experience. All in all, although the findings of Gonzalez-Mulé et al. (2017) have contributed to academic findings involving team tenure, the numerous findings with regard to the moderating role of team tenure have been inconclusive; while several scholars such as Hortwitz et al. (2007) and Gonzalez-Mulé et al. (2017) have highlighted the positive impact of team tenure, researchers have also pointed to the aforementioned negative outcomes of team tenure (Stahl et al., 2010). Thus, although further research must be conducted to determine the moderating impact of team tenure, it is evident that team tenure does in fact moderate the relationship between workplace diversity and organizational performance.

**Organization-Level Moderators**

Organization-level moderators consist of factors at the organization or environmental level that impact the relationship between diversity and organizational performance. For instance, previous literature has examined the impact of an organization’s business strategy, finding that growth strategy firms with high racial diversity yield higher productivity than downsizing firms
with high racial diversity (Richard, 2000). Additionally, Homes et al. (2020) found that climate type moderates the relationships of diversity climate with organizational outcomes; an inclusion climate – a climate that emphasizes the effective integration of all employees’ diverse skills and insights – exhibits more positive relationships with organizational outcomes that does diversity climate – the degree to which a firm advocates for fair human resource policies and socially integrates underrepresented employees. In a similar vein, Kochan et al. (2003) found that when organizations foster a setting that promotes learning from diversity, racial diversity can enhance performance.

Another category of organization-level moderators are factors relating to the environment. Organization-level moderators related to the environment can be categorized as either those that are related to the external legal and political environment or those that are related to the industry in which an organization operates in. With regard to the former category, Nishii et al. (2018) found that the external legal and political environment moderates the relationship between workplace diversity and organizational outcomes. More specifically, Nishii et al. (2018) found that accountability structures, such as affirmative action policies (AAPs), motivate managers to implement diversity practices more carefully, reliably, and effectively, thereby enabling organizations to achieve the positive performance outcomes of workplace diversity. Furthermore, upon examining the impact of politics in shaping organizational employment behaviour, Skaggs (2009) concluded that organizations tend to increase managerial diversity in response to institutional pressures from liberal government ideology. With regard to the industry in which an organization operates in, scholars have examined the moderating impact of environmental munificence and industry type. Andrevski et al. (2014) examined the moderating impact of environmental munificence – the growth potential of an industry – on the relationship between
workplace heterogeneity and organizational performance with regard to competitive intensity – the frequency with which organizations introduce newly created competitive actions such as new products, product improvements, and price cuts. In doing so, Andrevski et al. (2014) found that the relationship between managerial racial diversity and competitive intensity will be stronger for firms operating in highly munificent environments, or those operating in industries with high growth potential, and weaker for firms operating in less munificent environments.

In addition to environmental munificence, researchers have also confirmed that the type of industry in which an organization operates will moderate the relationship between workplace diversity and organizational performance. For instance, Richard et al. (2007) found that the relationship between racial diversity and organizational productivity is stronger in service-oriented industries than in manufacturing-oriented industries. All things considered, organization-level moderators related to an organization’s environment have an important bearing on the relationship between workplace diversity and organizational performance. Thus, organizations must take into account factors related to the external environment when attempting to leverage diversity as a means of improving organizational performance.

**Implications and Significance of Moderators in Canada**

Given the significant role played by moderators in the relationship between workplace diversity and organizational performance, Canadian organizations must take into consideration the impact of individual-, group-, and organization-level moderators to truly reap the benefits of heterogeneity. In what follows, I provide a brief overview of how individual- and group-level moderators apply to a Canadian context. I then provide a more in-depth exploration of the organizational-level moderators that are unique to Canada and would impact diversity within Canadian organizations.
Individual-Level Moderators in Canada

With regard to individual-level moderators, it is necessary for Canadian organizations to acknowledge the individual psychological factors of their employees that can moderate the relationship between workplace diversity and the overall performance of the organization. For instance, as demonstrated by Knippenberg & Schippers (2007), the outcomes of diversity tend to be more positive in contexts where individuals have more favourable beliefs about and attitudes toward diversity. By leveraging the findings surrounding diversity mindsets, Canadian organizations can actively take measures to improve employees’ beliefs and attitudes towards diversity, thereby increasing the likelihood of experiencing the positive organizational outcomes that can stem from workplace heterogeneity.

Group-Level Moderators in Canada

Similarly, Canadian organizations must also acknowledge the importance of group-level moderators – the structural aspects of teams that mediate the association between workplace heterogeneity and organizational performance. For instance, organizations seeking to leverage diversity to improve organizational performance must staff teams with individuals who have greater individual experience, greater shared experience among team members, and greater diversity of experience (Gonzalez-Mulé et al., 2017). However, in doing so, managers must take active measures to mitigate the potential for increased conflict and less communication arising from increased team tenure (Stahl et al., 2010). Furthermore, to counter the challenges brought about by the ongoing COVID-19 pandemic, such as a rise in a “working-from-home economy” and increased team dispersion, Canadian organizations can utilize the findings of Stahl et al. (2010) to benefit from diversity. As noted with the idea of team dispersion, Stahl et al. (2010) found that cultural diversity tends to be associated with higher levels of conflict and lowers levels of social
integration when teams are co-located than when they dispersed. Accordingly, although Canadian organizations may choose to allow employees to continue working from home in a post-COVID-19 working environment, organizations seeking to leverage the advantages of cultural diversity may in fact benefit from co-locating its employees.

It is also important to note that as the baby-boom generation – those born between 1946 and 1965 – prepares to leave the Canadian workforce, they are being replaced by members of Generation X – born between 1966 and 1980 – and millennials – born between 1981 and 2000 (BDC, n.d.). Consequently, while a new generation of employees continue to enter the workforce, with the likely impact of disrupting existing team structures, Canadian organizations must acknowledge the moderating impact of team tenure on the relationship between workplace diversity and organizational performance. Although the findings around the moderating impact of team tenure have been inconclusive, Canadian organizations can seek to exploit the positive benefits of team tenure, such as those outlined by Horwitz et al. (2007), by incorporating strategies to reduce employee turnover and consequently increase team tenure within their organization.

**Organization-Level Moderators in Canada**

Although it is necessary for Canadian organizations to acknowledge the impacts of both individual-level and group-level moderators, organization-level moderators demonstrate the greatest importance at a national level and thus, demand the greatest attention among Canadian organizations seeking to leverage diversity as a means of improving organizational performance. The significance of individual-level and group-level moderators is dependent on the nature of an organization’s employees and the underlying structural aspects of teams within an organization; both the psychological factors of employees and the structural aspects of a team that mediate the association between workplace diversity and organizational performance vary greatly among
Canadian organizations. In contrast, organization-level moderators have a more general and extensive impact on Canadian organizations at large. The prevailing legal and political environment, as well as the characteristics of Canada’s varying industries, have a widespread impact on Canadian organizations as a whole. Thus, unlike moderators at the individual and group levels, organization-level moderators signify the greatest relevance at a national level and demand further exploration to understand its significance in relation to workplace diversity and organizational performance.

**The Canadian Legal Environment**

The Canadian legal environment has important implications for organizations seeking to leverage heterogeneity to improve performance. As outlined in the findings of Nishii et al. (2018), accountability structures motivate managers to implement diversity practices more carefully, reliably, and effectively, and consequently achieve the positive performance outcomes of workplace diversity. In Canada, such accountability structures are embedded in the nation’s prevailing laws and regulations. Subsequent to the introduction of the Canadian Human Rights Act in 1977, Canadians became protected from discrimination within their employment or when receiving services from the federal government, First Nations governments, and private companies regulated by the federal government (Canadian Human Rights Act, 1976-77, s. 7). Furthermore, the introduction of the Employment Equity Act in 1995 required federally regulated organizations and businesses to provide equal employment opportunities to women, Aboriginal peoples, people with disabilities, and members of visible minorities (Employment Equity Act, 1995, s. 2). In addition to the Canadian Human Rights Act and the Employment Equity Act, the Canadian Multiculturalism Act, which passed in 1988, recognizes and promotes the understanding that multiculturalism reflects the cultural and racial diversity of Canadian society, while promoting the
understanding that multiculturalism is a fundamental characteristic of the Canadian heritage and identity (Canadian Multiculturalism Act, 1988, s. 3).

It is also important to note that Canada’s legal environment has been shaped by external accountability structures, such as those arising from its membership in the United Nations. The vast majority of United Nations member states have enacted discrimination legislation relating to employment that embraces gender equality as a sustainable development goal (United Nations, 2018; World Policy Analysis Center, 2017). Although the underlying purpose of such discrimination laws remains unsettled among scholars, one persuasive position suggests that such legislation intends to minimize and ultimately eliminate political, social, and material disadvantages among historically disadvantaged groups (Khaitan, 2015). Accordingly, non-discrimination in employment and workplace diversity are often perceived as moral imperatives by which Canadian organizations uphold justice in the workplace.

All things considered, the Canadian legal environment has important implications for diversity in organizations and the resulting performance of such organizations. The accountability that stems from the Canadian legal environment motivates managers to implement diversity practices in a more careful, reliable, and effective manner, thereby yielding the positive outcomes of workplace diversity. As a notable example, the 2019 case of Haseeb v. Imperial Oil signifies the importance of accountability structures in helping organizations benefit from diversity (Haseeb v. Imperial Oil Ltd., 2019). As one of the company’s initial qualification criteria, Imperial required job candidates to be eligible to work in Canada on a permanent basis. Upon learning that Muhammad Haseeb was neither a Canadian citizen nor a permanent resident, Imperial rescinded its job offer to him. Consequently, Imperial’s permanence requirement was found to be discriminatory based on the protected group of citizenship. As a result, Imperial revised its hiring
practices and now requires that applicants be eligible to work in Canada without a requirement for proof that they can do so on a permanent basis. By revising its hiring practices and complying with prevailing laws and regulations pertaining to diversity, Imperial was able to circumvent further discriminatory claims against them that may have jeopardized the company’s image. Thus, it is evident that by acknowledging Canadian laws and regulations related to diversity, organizations can safeguard their brand image while implementing diversity initiatives in a more effective manner.

The Canadian Political Environment

In addition to the Canadian legal environment, Canada’s political environment also plays a considerable role with regard to workplace diversity. As noted earlier, Skaggs (2009) concluded that organizations tend to increase managerial diversity in response to institutional pressures from liberal government ideology. Indeed, the current political party in power in Canada, the Liberal Party of Canada, does demonstrate a commitment to workplace diversity. To advance gender equality and diversity, the Liberal Party of Canada has invested in helping more women entrepreneurs, created more accessible and affordable childcare spaces, and moved forward with more flexible parental leave, to make it easier for new moms to go back to work (Liberal Party of Canada, n.d.). Additionally, to advance its belief in fairness and that women deserve equal pay for work of equal value, the Liberal Party of Canada also moved forward with the proactive pay equity legislation – the notion that Canadians have the right to experience workplace compensation practices that are free from gender-based discrimination (Liberal Party of Canada, n.d.). Furthermore, the Liberal Party of Canada also sought to improve diversity in the workplace through Bill C-25 – legislation intended to bring diversity to the Canada Business Corporations Act with the aim of delivering improved corporate performance (Bill C-25, 2018). In 2014, several
provincial securities regulators began requiring TSX-listed corporations to disclose annual reports on their approach to fostering gender diversity on their boards of directors and among their executive officers. Bill C-25 amends the Canadian Business Corporations Act by reducing regulatory burdens to enhance diversity and women’s representation on corporate boards and in management positions. More specifically, as opposed to provincial securities regulations, the federal bill requires directors of corporations to place before the company’s shareholders, at every annual meeting, prescribed information regarding diversity among directors and members of senior management, thereby encouraging the adoption of diversity among Canadian organizations (Bill C-25, 2018). As indicated by Skaggs (2009), organizations pay attention to political expectations for appropriate business operations and behaviour and create work environments that are culturally consistent with such institutions. Thus, in the context of Canada, the values and ideologies held by the Liberal Party of Canada signal an expectation for Canadian organizations. The Liberal Party of Canada, through means such as relations with local businesses and support of social policy, sets institutional standards that Canadian organizations are compelled to follow and substantially impact the way in which such organizations behave with regard to diversity.

In contrast to the ideologies held by the Liberal Party of Canada, the government of Québec promotes neutrality as opposed to heterogeneity. In doing so, the government of Québec proposed Bill C-21 – which prohibits the display of religious symbols by public-sector workers in the workplace (Bill C-21, 2021). In effect, although the bill sought to unite Québécois, it caused an uproar among religious minorities working in the province of Québec and was seen as an attempt to stifle diversity – a fundamental characteristic of the Canadian heritage and identity (Wells, 2019). All things considered, it is evident that Canadian political parties uphold varying perspectives of diversity; whereas the Liberal Party of Canada promotes the notion of diversity,
the government of Québec seeks to unite Québécois by stifling heterogeneity. Thus, despite the varying perspectives of diversity held by Canadian political parties, it is important for Canadian organizations to reconcile such varied perspectives in order to leverage workplace diversity as a means of improving performance. While certain political ideologies signal an expectation for Canadian organizations, it is evident that the Canadian workforce inevitably continues to become more diverse (BDC, n.d.). Thus, organizations must find a means to realize the positive outcomes of workplace diversity despite political pressures against heterogeneity.

**Canadian Industries**

In addition to both Canada’s legal and political environments, the type of industry in which Canadian organizations operate in is an important point of discussion with regard to workplace diversity and organizational performance. Canada’s economy includes three main types of industries: service industries, manufacturing industries, and natural resources industries. Service industries provide jobs to a significant proportion of working Canadians in areas such as transportation, education, health care, construction, banking, communications, and retail services. Manufacturing industries are those that make products, such as paper, high technology equipment, and automobiles, to sell in Canada and around the world. Finally, natural resources industries include forestry, fishing, agriculture, mining, and energy (Government of Canada, n.d.). In addition to the aforementioned main industries in Canada, the nation is also expecting to see rapid growth in the other specific industries. For instance, the hotels and motels industry and the natural gas distribution industry are expected to experience 2021-2022 revenue growths of 32.3% and 24.7%, respectively (IBISWorld, n.d.). Overall, it is evident that Canada consists of a unique mix of industries that are both significant to the nation’s economy and have a high potential for growth. This is important, because as noted by Andrevski et al. (2014), environments with a high growth
potential positively impact the association between diversity and competitive intensity. By acknowledging whether they are operating in an industry with high growth potential, organizations can leverage the findings associated with environmental munificence and competitive intensity to better benefit from workplace diversity. In other words, Canadian organizations that operate in industries with a high growth potential and seek to benefit from a competitive intensity strategy can benefit from incorporating workplace diversity based on the findings of Andrevski et al. (2014).

As outlined by Richard et al. (2007), whether an organization operates in a service-oriented industry or a manufacturing-oriented industry also moderates the relationship between workplace diversity and organizational performance. More specifically, Richard et al. (2007) concluded that the relationship between racial diversity and organizational productivity is stronger in service-oriented industries than in manufacturing-oriented industries. In Canada, the service industry accounts for approximately 75% of Canadian jobs and 78% of the country’s gross domestic product (GDP) (Canadian Visa, n.d.). Furthermore, the proportion of the Canadian economy stemming from services has been increasing. In 2007, the service sector accounted for 62.87% of Canada’s GDP whereas in 2016, the service industry accounted for nearly 68% of the nation’s GDP (O’Neill, 2021). On the other hand, the manufacturing industry is also a cornerstone of Canada’s modern economy. As of 2020, the manufacturing industry accounted for approximately $174 billion of the nation’s GDP, which is more than 10% of Canada’s total GDP, and 68% of all of Canada’s merchandise exports (Government of Canada, n.d.). Taken together, both the service sector and the manufacturing sector represent prominent industries in Canada. Thus, depending on the type of industry in which an organization operates, organizations must take into consideration the impact of diversity on organizational performance. For instance, based on the findings of
Richard et al. (2007), service-oriented industries may seek to leverage racial diversity as a means of improving organizational productivity. On the other hand, organizations operating in manufacturing-oriented industries must acknowledge that the positive outcomes of racial diversity in the manufacturing sector are not as pronounced as those in the service sector, and so should consider the moral imperatives of having a diverse workforce more than any potential business advantage of having diversity.

The Current State of Diversity in Canadian Organizations

The Canadian legal, political, and industrial environment has had significant implications on organizations with regard to diversity. Nearly a quarter of Canadian organizations embrace the notion of diversity and appreciate employees who represent both observable and non-observable diversity (Garr, Shellenback, & Scales, 2014). Furthermore, nearly half of Canadian organizations have begun to understand the value of a diverse workforce and have taken initial steps to engage diverse employees in talent and business initiatives in which diverse opinions are valued (Garr, Shellenback, & Scales, 2014). Additionally, Canadian companies have increasingly embedded diversity initiatives into their existing policies; the number of TSX-listed companies with written diversity policies has increased to 64.7%, with approximately 97% of such policies included a specific focus on women on the board (MacDougall, Valley, & Jeffrey, 2020). Moreover, targets for women directors have been adopted by 58.5% of S&P and TSX 60 companies (MacDougall, Valley, & Jeffrey, 2020).

As exemplars of organizations fostering workplace diversity, several Canadian companies have embedded diversity into their existing recruitment criteria. For instance, Athabasca Oil Corporation – a Canadian energy company focused on sustainable resource development – requires that any search firm engaged to assist its board in identifying candidates be specifically
directed to include diverse candidates generally, and multiple women in particular. Furthermore, the company’s board also has the opportunity to evaluate the effectiveness of the director selection and nomination process, including compliance with the board diversity policy, through its annual review process (Athabasca Oil Corporation, 2019). Moreover, MEG Energy Corporation – a Canadian energy company focused on sustainable thermal oil product – also incorporates diversity into its recruitment criteria. The corporation’s diversity and inclusion policy requires that 50% of finalists for all positions with the corporation are female (MEG Energy Corporation, 2020). Finally, Canadian food retailer, Metro Inc., is also a notable example of a Canadian organization that has embedded diversity into its existing recruitment criteria. To ensure that women candidates are considered for management positions, the company has adopted a written policy on diversity that mandates at least one female candidate be among the group of identified candidates for management positions (Metro Inc., 2020). In effect, embedding diversity into existing recruitment criteria ensures that companies’ selection processes contribute to the creation of a diverse workforce.

In addition to diversity recruitment criteria, many Canadian organizations have also engaged in diversity training. As a notable example, Royal Bank of Canada – the largest bank in Canada by market capitalization – has invested in its Inclusion Learning Centre to give its employees access to resources including videos, guides, research, self-assessments, and webinars to help its employees learn how to support diversity and accelerate inclusion in the workplace (Royal Bank of Canada, n.d.). Ritchie Bros. Auctioneers Incorporated is another notable example of a Canadian organization that leverages diversity training. The company provides gender intelligence training to its employees at the director level and above to identify conscious and unconscious biases, with the aim of enhancing their appreciation of the value of diversity (Ritchie
Bros. Auctioneers Incorporated, 2019). Moreover, Canadian aviation support company, Chorus Aviation Inc., is also an exemplar of an organization engaged in diversity training. To increase the future diversity of its management team, the company’s 12-month emerging leaders program develops current and future leaders through leadership skills training, executive monitoring and coaching, and quarterly sessions with senior leaders to discuss strategy and leadership (Chorus Aviation Inc., 2020). By means of diversity training, employees can not only address biases and prejudices within a workplace, but they can also learn how to leverage diversity as a strategy to improve overall performance.

In addition to embedding diversity initiatives into their existing policies, companies have also sought to tie executive compensation to the achievement of diversity and inclusion goals. For instance, the Bank of Nova Scotia’s short-term incentive performance for the CEO takes into consideration improvements in the depth and diversity of the bank’s leadership pool, particularly with regard to gender diversity. Another example of this is Stantic Inc., which has included a diversity and inclusion measurement in its corporate scorecard that is used to assess short-term incentive compensation for its executive leadership team (MacDougall, Valley, & Jeffrey, 2020).

Another symbol of the importance of diversity within Canada is that Canadian organizations now compete with one another on the extent of their diversity initiatives. More specifically, Canada’s Best Diversity Employers, selected by Mediacorp Canada Inc., recognizes employers across Canada that have exceptional workplace diversity and inclusiveness programs. The competition recognizes successful diversity initiatives in areas including programs for women, members of visible minorities, persons with disabilities, Indigenous peoples, and lesbian, gay, bisexual, and transgender/transsexual (LGBT) peoples (Mediacorp Canada Inc., n.d.). By and
large, the Canadian legal environment, political environment, and industry contexts are clearly foundational for Canadian organizations’ adoption of workplace diversity initiatives.

**Conclusion**

This paper sought to examine whether workplace diversity can be used as a strategy to improve organizational performance. In doing so, the conclusions drawn from an exhaustive literature review revealed inconsistent findings involving workplace diversity and organizational performance; the value-in-diversity perspective suggests that diversity enriches the workplace by broadening employee perspectives, strengthening teams, and offering greater resources for problem resolution (Cox, 2001), whereas other researchers have demonstrated that diversity diminishes group cohesiveness and consequently increases employee absenteeism and turnover (Tsui et al., 1992). As a result of the antithetical findings surrounding workplace diversity and organizational performance, researchers have shifted to examining diversity moderators to understand the impact of diversity on organizational performance.

An analysis of current moderators in the relationship between workplace diversity and organizational performance yielded a framework for conceptualizing such moderators by grouping them into three broad categories – individual-level, group-level, and organization-level moderators. As this paper focused on workplace diversity in a Canadian context, organization-level moderators demonstrated the greatest importance at a national level and thus, were the focus of this paper. By outlining the ways in which the Canadian legal environment, political environment, and industry characteristics moderate the relationship between workplace diversity and performance, this paper provides a framework for Canadian organizations to better understand the mediating role played by such environmental factors. Furthermore, this paper also outlined specific diversity initiatives, namely diversity recruitment criteria, diversity training, and tying
executive compensation to the achievement of diversity and inclusion goals, that Canadian organizations are recommended to incorporate into their existing practices. In conjunction with a comprehensive understanding of the significance of moderators in the relationship between workplace diversity and organizational performance, such initiatives can enable Canadian organizations to better benefit from having a wide range of employees within their workforces.
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