EMPLOYMENT EQUITY AND ORGANIZATIONAL DIVERSITY PERFORMANCE

EMPLOYMENT EQUITY AND ORGANIZATIONAL DIVERSITY PERFORMANCE: THE ROLE OF CEOS' CHARACTERISTICS AND COMMITMENT

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A Thesis

Submitted to the School of Graduate Studies

in Partial Fulfilment of the Requirements

for the Degree

Doctor of Philosophy

McMaster University

DOCTOR OF PHILOSOPHY (2005)
(Business Administration)

McMaster University
Hamilton, Ontario

Title:	Employment Equity and Organizational Diversity Performance: The Role of CEOs' Characteristics and Commitment
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NUMBER OF PAGES:	ix, 194

ABSTRACT

This thesis investigated how Chief Executive Officers' (CEOs) commitment to managing diversity and perceptions of that commitment affect actual diversity practices and outcomes in organizations. Data were collected in a field survey from 196 Canadian organizations covered under the federal employment equity programs. The results indicate that CEOs' personal attributes such as individual values, cognition about diversity, and leadership styles affect their commitment to managing diversity. Moreover, subordinates' perceptions of CEOs' commitment were more important than CEOs' self-reported commitment in predicting actual diversity practices and outcomes. CEOs' commitment to diversity also accounted for more explained variance in the adoption of diversity management than environmental factors, suggesting that the environment is limited in determining organizational diversity practices. This thesis concluded that although there are strong institutional pressures to implement employment equity, organizational decision makers exercise strategic choice in the way they respond to these pressures.

ACKNOWLEDGEMENTS

Graduate school has been challenging and rewarding, and I wish to express my gratitude to the people who were part of that experience. First and foremost, I would like to thank Dr. Harish Jain, my thesis supervisor, and Drs. Naresh Agarwal and Willi Wiesner, my thesis committee members, for their counsel, encouragement, and scholarly advice. I could not have asked for a more supportive committee.

I am equally grateful to the staff at the School of Business: Paul Bates (DeGroote Dean), Carolyn Colwell, Hadar Kaidar, Linda Kszyston, and Sandra Stephens who generously offered their time and assistance. I would also like to thank Cynthia Chan at the TD Bank Knowledge Centre in Toronto for tracking down old publications, Sub-Lieutenant Angela Maxwell for proof-reading earlier drafts of this thesis, and Dr. Vic Catano from St Mary's University for providing helpful comments.

I would especially like to acknowledge Dr. Rosalie Tung at Simon Fraser University who first inspired me. I also owe a debt of gratitude to Dr. Ron Burke at York University for his mentorship and guidance. Both inside and outside of DeGroote, I learnt a great deal from my peers: Mohammed Al-Waqfi, Gord Cooke, Waheeda Lillevik, Greg Sears, Haiyan Zhang, and Deb Zinni. Also, thanks particularly to Waheeda, Greg, and Gord for the social support during difficult times.

Finally, I would like to thank JP for the support and encouragement during my years as a doctoral student.

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CHAPTER 1

INTRODUCTION

The purpose of this thesis is to investigate the factors that influence the adoption of diversity management practices in organizations. Specifically, it tests a theoretical framework for explaining the variation in the adoption and implementation of employment equity policies and practices among a sample of organizations covered under federal employment equity programs. The basic theory is that although there are strong institutional pressures on organizations to implement employment equity, organizational leaders exercise strategic choice in the way they respond to these pressures. As a result, organizations exhibit varying degrees of adoption and implementation of organizational diversity practices. This thesis explores the role of Chief Executive Officers' (CEOs) characteristics and commitment for managing diversity in organizations. It is expected that by linking CEOs' perspectives to workforce diversity, the findings will add to our understanding of the variance in organizational diversity outcomes.

This research integrates issues of diversity into theories of organizational behaviour, and uses an integrated theoretical framework to identify the factors most likely to influence how organizations manage workforce diversity. Specifically, it helps increase our understanding of organizational responses to workforce diversity and its implications on human resource management and organizational outcomes. This research also contributes to the on-going debate between competing views of environmental determinism versus organizational free-will in explaining organizational responsiveness and behaviour. In reality the power, the choices, and the ability of the manager to make a difference in the organization lie somewhere between what is articulated by the pure determinists and pure voluntarists (Hrebiniak & Joyce, 1985; Whittington, 1988). However, research has shown that organizational leaders play a more significant role than the environment in affecting meaningful organizational outcomes (Child, 1972; Hambrick & Mason, 1984), and new organizational structures evolve to adapt to environmental changes because of managerial attention (Cyert & March, 1963). This thesis focuses on the link between CEOs' perspectives and priorities and organizational outcomes, and represents the first empirical attempt to explore how CEOs' commitment can help explain the strategic choices exercised by organizations in the context of managing workforce diversity.

1.1 Background

The current state of employment indicates that Canada will face a two-pronged challenge of satisfying rapid growth in the demand of skilled workers and baby boomers pondering early retirement (Corporate Leadership Council, 2001; TD Economics, 2001). Faced with a shortage of qualified workers, employers must look beyond the traditional labour pool and attract an increasingly diverse pool of workers in terms of gender and ethnicity. The influx of women into the labour market and shifting immigration patterns are contributing to this diverse pool of labour force.

Data from the 2001 census indicates that the ethnocultural profile of the Canadian population has changed dramatically since the 1980s. Asia and the Pacific region have now overtaken Europe as the leading source of Canada's immigrants. Many new immigrants come from China (including Hong Kong), India, the Philippines, Sri Lanka, Pakistan, and Taiwan at an annual rate of 200,000 to 225,000 people a year (Statistics Canada, 2003). It is expected that racial and ethnic minorities will make up 3.3 million or 18 percent of Canada's total workforce by the year 2016 (Greenall, 2004).

These changing demographics will have a long-term and permanent impact on Canadian organizations. The federal policy on *multiculturalism* has encouraged immigrants to Canada to retain their cultural identities and differences (Fleras & Elliott, 1996). In the past, the traditional approach to dealing with employees who were different was assimilation (Berry, 1984; Thomas, 1992). A homogeneous workforce is now history, and people are less willing to be assimilated. Employers must accept the challenge of an increasingly diverse workforce, and the federal government has responded by guaranteeing the rights of equality of all citizens and implementing employment equity programs (Jain & Verma, 1996; Jain, Sloan, & Horwitz, 2003).

With the passage of the *Employment Equity Act* in 1986, federally regulated industries are mandated to remove barriers and establish employment equity plans for designated groups to achieve equality in the workplace. However, employment equity has had limited success for the increase of women and visible minorities,[1] particularly for upper level management (Jain & Lawler, 2004; Jain & Verma, 1996). For example, only 19.1 percent of women and 3.2 percent of visible minorities have made it to senior

[1] Visible minorities are defined as "persons other than Aboriginal peoples who are non-Caucasian in race or non-White in colour" under the federal *Employment Equity Act* (1995).

management, compared with their availability rates of 46.4 percent and 10.3 percent, respectively (Agocs, 2002).

Although workforce diversity has never traditionally been linked to corporate strategies, many employers are paying increasing attention to the practice of "managing diversity." In Canada and the U.S., companies are voluntarily engaged in major recruiting initiatives such as hiring, training, and promoting women and visible minorities (Canadian Business, 2004; Fortune, 1999; Robinson & Dechant, 1997). Many CEOs believe that it is the right thing to do and cite performance behind such efforts (Fortune, 1999). Workforce diversity is seen as a source of competitive advantage in an increasingly ethnocultural and globalized economy (Cox & Blake, 1991; Richard, 2000; Taylor, 1995).

The terms "employment equity" and "managing diversity" are often used interchangeably to describe the process of examining human resource policies and practices to create a barrier free work environment. For example, the Royal Bank of Canada complies with employment equity legislation but describes the process as managing diversity (RBC, 2003). Although diversity management may be a positive outcome of employment equity, and share many of the same objectives, there is one fundamental difference: diversity management is adopted on a voluntary basis and is a strategic corporate response to issues of workforce diversity, motivated by economic reasons (Jain et al., 2003). For the purpose of this thesis, diversity management simply denotes the strategic choice exercised by an organization to manage its diverse workforce, while employment equity represents an environmental pressure exerted by the

Canadian government on federally regulated industries and contractors to comply with workplace equity.

1.2 Significance of this Research

Despite the pervasiveness of workforce diversity, there are significant gaps in our understanding of the phenomenon and its implications on organizational theory and behaviour, particularly for the effective management of diversity. Previous research has historically focused on the reactions towards employment equity/affirmative action[2] policies (e.g. Bell, Harrison, & McLaughlin, 1997; Gilbert & Stead, 1999; Tougas, Joly, Beaton, & St.-Pierre, 1996; Williams & Bauer, 1994) and on determining the consequences of workforce diversity (e.g. Cox & Blake, 1991; Ng & Tung, 1998; Richard, 2000; Watson, Kumar, & Michaelsen, 1993; Wright, Ferris, Hiller, & Kroll, 1995). (See Appendix 1 for a review of published studies on affirmative action, employment equity, and managing diversity). This section outlines the importance of the current thesis and how it is different from previous research.

Although employment equity has been officially sanctioned by the federal government since 1986, it has had limited success on advancing women and minorities. While representation rates have increased for women and visible minorities in general,

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[2] For the purpose of this thesis, "affirmative action" has been used interchangeably with "employment equity" when American literature and examples are cited. Affirmative action originated in the U.S. as a response to patterns of discrimination in employment and education, and the resulting exclusion, segregation, and disadvantage of Blacks. Under federal regulation, employers who received contracts, grants, or other benefits from the U.S. government were required to collect and report data on the composition of their workforce and to set goals and timetables for hiring and improving representation of disadvantaged groups that were underrepresented relative to relevant labour markets. These groups included women, Blacks, Hispanics, Asians, and American Indians. See Jain et al. (2003) for a comprehensive review of employment equity, and Agocs and Burr (1996) for review of affirmative action.

they vary across different sectors and types of jobs (Agocs, 2002; Jain et al., 2003; Jain & Verma, 1996; Taggar, Jain, & Gunderson, 1997). To date, few studies (e.g. Jain & Lawler, 2004) have attempted to explain the variances in the adoption and implementation of employment equity measures. Although it is believed that top executive support is crucial to organizational diversity outcomes (Cox, 1993; Daas & Parker, 1996; Morrison, 1992; Richard, Kochan, & McMillan-Capehart, 2002), this research represents the first empirical attempt to investigate this relationship. Thus, this thesis fills the empirical gap in the literature on the impact of leadership support for diversity, and enables us to answer other related questions such as: How do CEOs' characteristics, values, and beliefs affect their commitment to managing diversity? Does the impact of legislation, unions, and globalization matter to executive commitment to managing diversity? Are there differences in the effectiveness and performance between organizations that pursue diversity management and those that do not? In short, identifying some of the key factors that influence organizations to adopt diversity management may serve as a prerequisite to a further understanding of other issues related to organizational diversity.

This thesis also has several implications for government policy and organizational change efforts that may facilitate the achievement of workplace equality and social justice. It has previously been assumed that racism, sexism and other forms of prejudice are the primary explanations of systemic employment discrimination, and in achieving discrimination reform (Brief & Hayes, 1997; Henry, Tator, Mattis, & Rees, 1995). The integrated model proposed in this research suggests that institutional forces and the strategic choices made by organizational decision makers both explain the acceptance and implementation of employment equity measures. However, organizations that implement them do so in a wide variety of ways. This thesis will attempt to explain such variations and hypothesizes that the degree of diversity management adoption is dependent on the strategic choices made by the organization's decision makers. Thus, this research has implications for policy formulation, organizational change, and the development of human resource management practices.

Furthermore, by applying organizational theories and theories of organizational behaviour to workforce diversity, this research helps such theories remain relevant to managers, and keep up with a changing environment in which workforce diversity is an emerging and important issue. For example, at the micro level, the findings have theoretical implications on issues of leadership and decision-making within the context of a diverse workforce. At the macro level, the findings will provide a better understanding of how environmental factors, such as government policy, unionization, and globalization, relate to organizational responsiveness to workforce diversity.

This research also contributes to the on-going debate between competing explanations of organizational responses and behaviour (Gopalakrishnan & Dugal, 1998). Institutional theorists (DiMaggio & Powell, 1983; Hannan & Freeman, 1977; Meyer & Rowan, 1977) are of the opinion that the environment determines the structures and organizations of firms, and that managerial behaviour is severely constrained by the external environment. On the other hand, strategic choice proponents (Child, 1972; Hambrick & Mason, 1984) believe that managers possess considerable free-will in charting their own strategies and courses of action. Thus, by considering these perspectives, this research contributes to the advancement of strategic (managerial) choice, to which institutional theory has paid little attention, in explaining why and how organizations respond to the institutional environment in which they operate.

Additionally, research on the effects of leadership influence on firm behaviour (Bantel & Jackson, 1989; Hambrick, Geletkanycz, & Frederickson, 1993; Hitt & Tyler, 1991; Wiersema & Bantel, 1992) has almost exclusively focused on top executive demographic or "surface level" characteristics, such as age, gender, and race. Few studies on top executive behaviours (e.g. Miller, Kets de Vries, & Toulouse, 1982) actually examine "deep level" attributes, such as CEOs' values, beliefs, and attitudes, and thus the relationship between top executive psychological attributes and their behaviour remains largely a "black box." Psychological constructs have the added advantage of conceptual clarity, and more importantly provide a link to the leadership behaviours being explained (Lawrence, 1997). This research addresses the "black box" problem by incorporating CEOs' cognitive bases in explaining the choices made by organizations.

In summary, this research makes both micro and macro-level contributions to theories of organizational behaviour, particularly to strategic managerial choice, and to the growing literature on workforce diversity.

1.3 Organization of the Thesis

This thesis is organized into six chapters: The preceding introductory chapter outlines the purpose and significance of this research. Chapter 2 presents a review of the literature and theories relevant to this research. Chapter 3 defines the research framework, describing the variables and specifying the research hypotheses. The fourth chapter describes the research methodology used and Chapter 5 presents the results from field data. Finally, the last chapter discusses the results, draws conclusions from the research findings, and discusses limitations inherent in the research. It closes with recommendations for future research and policy development.

CHAPTER 2

LITERATURE REVIEW

The purpose of this chapter is to review the literature relevant to this research. Accordingly, three sets of literature were reviewed: The first review on managing diversity highlights that previous research has focused mainly on the effects of diversity and has rarely sought to explain why organizations adopt or reject specific approaches to managing diversity. The second review provides a brief history of and rationale for employment equity, and the rules and guidelines for implementing employment equity in Canada. It also summarizes previous research on the assessment of the effectiveness of employment equity initiatives. The third review focuses on the theoretical explanations of organizational responsiveness and behaviour of relevance to this research, with particular emphasis on strategic choice and upper echelon perspectives. This review is not intended to "cover the field," but rather focuses on the concepts that will formulate the conceptual framework of this research.

2.1 Managing Workforce Diversity

An organization characterized by workforce diversity is one in which there are increasing numbers of non-dominant or minority groups based on gender, race, ethnicity, or nationality (Fernandez, 1991; Jackson, Joshi, & Erhardt, 2003). Increasing workforce diversity has resulted in heterogeneity in socio-cultural perspectives, values, norms and communicative behaviour in the workplace (Cox, 1993; Larkey, 1996). Following Cox (1993), the effects of workforce diversity combined with individual, group, and organizational factors interact to determine the diversity climate in an organization. This diversity climate influences how people feel about their work and their employer, and include such things as job satisfaction, job involvement, and organizational commitment. At the organizational level, these individual level outcomes impact a series of organizational effectiveness measures such as work quality, productivity, absenteeism, and turnover. For most organizations, these effectiveness measures translate into profitability and market share.

Although diversity management is primarily driven by business case arguments (Dickens, 1999; Taylor, 1995; Jain et al., 2003), there are several ethical underpinnings supporting diversity management. Business decisions are different from ethical actions because of individual, professional, organizational, and societal values. Gilbert, Stead, and Ivancevich (1999) proposed three ethical considerations which are relevant to diversity management:

> The Golden Rule is one of the most popular as it is rooted in both history and several religions. If you want to be treated fairly, treat others fairly (Carroll, 1990). The inclusiveness implicit in diversity management cannot succeed without fair treatment of all employees.
>
> The Disclosure Rule provides some strong indication of how actions may be viewed. If you are comfortable with decisions after asking yourself if you would mind others were aware of them, the decision is probably ethical (Carroll, 1990). The openness necessary in administrating diversity management provides a unique window for assuring success.
>
> The Rights Approach assumes people's dignity is based on their ability to freely choose what to do with their lives, and they have fundamental moral right to have these choices respected. Diversity management allows all people to reach their fullest potential by choosing career paths according to their interests and abilities (Gilbert et al., 1999: 65-66).

Research has shown that workforce diversity has both positive and negative impacts on organizations. In light of this, diversity management has been suggested as a crucial element for organizational survival. Cox and Blake (1991) touted that a diverse workforce, when effectively managed, can create a competitive advantage in cost savings, resource acquisition, marketing, creativity and problem solving, and engendering of organizational flexibility. At the individual level, diversity management can lead to decreased frustration and turnover for women and ethnic minorities (Burke, 1991; McKeen & Burke, 1991). At the group level, diversity management has the potential to lead to increased creativity and problem solving capabilities (Kirchmeyer & Cohen, 1992; Watson, Kumar, & Michaelsen, 1993).

Diversity management represents a human resource intervention and an organizational change process aimed at improving inter-personal and inter-group communication and relationships in the workplace (Agocs, 1997; Agocs & Burr, 1996). It helps to promote awareness of those who are different, encourages attitude change, and seeks to create a greater inclusion of all individuals into formal company programs and informal networks (Agocs & Burr, 1996; Gilbert et al., 1999). The focus of managing diversity is on the interactions between managers and the employees they supervise, among peers, and between employees and customers. Diversity management is expected to result in improved human relations, increased understanding and acceptance, and appreciation of those who are different from the traditional White, able-bodied, male employee or manager. Cox (1991) proposes "valuing diversity" to manage people so that the potential advantages of diversity are maximized while the potential disadvantages are minimized. Organizations recognize that managing and valuing diversity can result in potential gains in increased productivity, business, and goodwill. Previous research on workforce diversity has focused mainly on the effects of workforce diversity, including its impact on individual, group, organizational, and societal levels, and on describing different ways of managing workforce diversity (cf. Tsui, Egan, & Xin, 1995). The following sections review the literature on these two aspects of diversity.

2.2 Positive Impact of Diversity

Following Cox and Blake (1991), diversity can result in competitive advantage to organizations via the attraction and retention of the best human talents, greater organizational flexibility, higher levels of creativity and innovation, more creative problem solving, and improved marketing efforts.

reputation!

According to the talent attraction argument, organizations develop favourable reputations as employers for women and minorities. For example, Williams and Bauer (1994) found women and minority job seekers rated organizations with diversity management policies more attractively as prospective employers. Firms with the best reputation for managing diversity have also been found to attract the best personnel. Gilbert and Stead (1999) found women and minorities hired under diversity management were viewed as more qualified and competent than those hired under affirmative action. As the composition of the labour pool changes, attracting skilled human resources from all segments of the workforce becomes increasingly important in light of the competition for skilled labour in a tightening labour market.

Tolerance for different cultural viewpoints also leads to greater openness to new ideas. If an organization can overcome resistance to change in the area of accepting diversity, then it is well positioned to handle other types of changes. For example, McLeod and Lobel (1992) conducted an idea-generating exercise and found bicultural individuals were more flexible in their thinking. Such flexibility can provide a competitive advantage in an increasingly changing business environment.

The creativity argument (Cox & Blake, 1991) asserts that minority viewpoints are important for enhancing the quality of thought, performance, and decision-making. A firm with a diversity of perspectives has more to draw on, is therefore more creative and innovative. Work teams are also less likely to fall into the "groupthink" phenomenon, where team members are preoccupied with maintaining team cohesion.

The problem-solving argument (Cox & Blake, 1991) rests on the premise that diverse teams produce better decisions through a wider range of perspectives and more thorough critical analysis of issues. To test these propositions, Watson and colleagues (1993) conducted a longitudinal study comparing process and performance improvement over time between racially homogeneous and diverse teams. Initially, the homogeneous teams outperformed the diverse teams on all measures, but at the conclusion of the study, the diverse teams outperformed the homogeneous teams on two out of five performance measures. This suggests that diverse teams may require more time to work out process issues, but have greater promise for overall performance once those process issues are resolved. Thus, organizations can garner an advantage because diverse viewpoints are needed to solve complex problems they face today.

Finally, the marketing argument (Cox & Blake, 1991) focuses on the fact that markets are becoming as diverse as the workforce. Diversity provides a marketing advantage to firms by allowing them to meet consumer demands. Women and minority employees possess the language skills and cultural know-how and understanding about how to approach various diverse market segments (Lattimer, 1998; Taylor, 1995). Furthermore, Ng (2001) argues that minority managers are more likely to be bicultural and can enhance the success rate of overseas assignments in multinational corporations. Overall, organizations can gain and sustain a competitive advantage by utilizing women and minorities to tap into emerging and new markets.

Several other studies have also demonstrated the positive impact of workforce diversity. For example, Wright and colleagues (1995) hypothesized that investors and the financial markets would react to award winning affirmative action programs and to the announcements of discrimination lawsuits and practices. They examined the daily returns of a firm's stock price over a six-year period and used high quality affirmative action programs (in the U.S.) as proxy for diversity management. A total of 34 firms won affirmative actions awards while 35 firms were found guilty of discriminatory practices. Their findings revealed that stock prices of award winning firms were correlated with significant and positive returns, while firms agreeing to damage settlements experienced a significant negative stock price change following public announcements.

In another study, Richard (2000) explored the relationship between racial diversity, business strategy, and firm performance. Drawing upon the resource based-view, Richard hypothesized that cultural diversity is a source of competitive advantage because it (racial diversity) has economic value, is rare, and is difficult to imitate. He suggested that cultural diversity is positively associated with firm performance and that the relationship is moderated by business strategy. Richard surveyed banks and used asset accretion as a measure of their growth strategy. The results indicate that racial diversity contributes to significant firm performance in terms of employee productivity, return on equity, and market performance in growth firms.

2.3 Negative Impact of Diversity

Research on the negative impact of workforce diversity has most often focused on cohesion, communication, and turnover (cf. Tsui et al., 1995). Following the similarity-attraction paradigm (Byrne, 1971; Schneider, 1987), people feel more comfortable and are more satisfied with others who are like themselves. Perceived similarity increases attraction, which in turn reinforces closeness of groups. For example, Ibarra (1995) observed that minority managers have fewer intimate network relationships than their White counterparts, and their relationships with Whites are more distant. As a result, there is a lower level of commitment to the group and a higher likelihood of leaving (i.e., turnover). This similarity-attraction paradigm explains, in part, why Whites may exhibit their discomfort with minorities and choose not to associate with them at all. Brief and Hayes (1997) espoused a new form of racism in the workplace as a consequence of diversity, and explained that Whites may harbour unconscious negative racial attitudes that preclude them the development of close interpersonal relationships with minorities.

In another study, Tsui, Egan, and O'Reilly (1992) found that demographic dissimilarity, in terms of race and gender, was associated with lower levels of organizational attachment for Whites. This relationship, however, did not hold for non-Whites. Tsui and colleagues reasoned that Whites who harbour negative racist attitudes may hold their racist behaviours in check, and alternatively express their unease with minority co-workers by physically or psychologically withdrawing.

Increases in diversity also contribute to communication difficulties, and are a source of misunderstanding and inter-group conflict. As a result, ineffective communication becomes an obstacle to team effectiveness and reduces performance. Hoffman (1985) found that a higher race ratio (i.e., more Blacks) was associated with lower within-team communication. A lack of communication can also lead to low social integration in a work unit. For example, Konrad, Winter, and Gutek (1992) found women in the numerical minority are more likely to experience isolation and dissatisfaction, with a negative impact on group processes and performance. Hayes (1995) observed that corporate minority managers whose job related contacts were relatively racially integrated experienced lower rates of promotion than did minorities with largely White contacts. Brief and Hayes (1997) alluded to the fact that minorities may not be seen as knowing "the right types of people" necessary to perform well at higher organizational levels.

Overall the literature suggests that racism and discrimination may be the most obvious negative consequence of workforce diversity. However, its potential for increasing organizational competitiveness and effectiveness is sufficiently recognized in the literature. In light of this, approaches to managing diversity have shifted from avoiding, reducing, and eliminating its negative impact to ways of maximizing its positive impact. The next section provides a review of the literature on two polar approaches to managing diversity.

2.4 Approaches to Managing Diversity

2.4.1 Homogenization

Organizations homogenize their workforces because they do not want or know how to manage diversity (Kirchmeyer & McLellan, 1991). Under this approach, everyone, regardless of their background, is expected to conform to the norms and values of the dominant group (Berry, 1984; Brown, 1983). Cultural and ethnic differences are ignored and suppressed, and communication about differences is limited to non-controversial discussions. Racial and minority groups are most vulnerable to organizational pressures to conform because they tend to have the least status (Levine & Moreland, 1985).

Although homogenization can be based on good intentions (Kirchmeyer & McLellan, 1991), it can also result in some unintended negative consequences. For example, organizational pressures to conform can lead to denying and turning against one's own culture and values, and stifling the potential for creativity and innovation (Kanter, 1977). Moreover, some minority groups are unwilling or unable to adapt to the dominant culture, and as a result seek physical and cultural separation from the dominant group. At the societal level, this form of separation can be easily seen in the prevalence of residential segregation for some minority groups (e.g. the establishment of "Chinatowns" in Vancouver and Toronto), although it is less easily seen in organizations. It should be noted that this form of separation is reinforced by both the dominant and minority groups. For example, the segregation of minority group is a function of both discrimination and prejudice by the dominant group, as well as preferences of many minority group members wishing to interact with others who share their cultural heritage (Ibarra, 1993; Massey & Denton, 1988).

In short, the practice of homogenization suppresses constructive conflict and encourages conformity rather than innovation. Such human resource practices are not conducive to effectively utilizing the heterogeneity of perspectives and approaches a diverse workforce has to offer.

2.4.2 Pluralism

Pluralism refers to a two-way learning and adaptation process in which both dominant and minority groups change to reflect the norms and values of the other group (Berry, 1984). Pluralism emphasizes interdependence and mutual appreciation among members of merging groups and the importance of preservation of minority cultures and viewpoints. Within an organizational context, pluralism suggests that members of minority groups assimilate to a limited number of behaviours while retaining substantial differences (Cox & Finley-Nickelson, 1991).

Unlike homogenization, this alternative approach to workforce diversity encourages differences and controversy to surface, while ensuring security of trust and mutual respect (Kirchmeyer & McLellan, 1991). It is crucial to provide feelings of security to members of minority groups because they often have unequal status and are reluctant to express an opinion. Furthermore, minority groups, particularly those from non-European cultures, avoid confrontational styles of communication and problem solving and are reluctant to challenge others at work (Cox, Lobel, & McLeod, 1991; Kirchmeyer & Cohen, 1992). Thus, the challenge for employers becomes one of providing leadership and creating conditions that foster creative potential, recognition of competence, and feelings of security (cf. Kirchmeyer & McLellan, 1991). Organizations that succeed in creating an atmosphere where minority group members feel comfortable in expressing their opinions and ideas are better able to seek out multiple viewpoints, and encourage participation of all members.

Creating a culture which values and appreciates differences requires a major, systematic and planned change effort to an organization's culture and philosophy, and to its structure, policies, and procedures (Cox, 1991). Thus, organizations that value diversity take proactive steps to initiate changes at the highest levels of decision-making, and incorporating diversity issues into strategic planning and human resource practices. For example, they often establish separate departments to coordinate and implement policies for managing diversity (Scott & Meyer, 1991). Most also offer training programs to sensitize managers to deal with differences and to manage conflict (Rynes & Rosen, 1995). Organizations that value diversity are also more likely to adopt employment equity as a means of achieving pluralism. The next section reviews the literature on employment equity approach to workforce diversity.

2.5 Employment Equity

Employment equity has been defined in different ways to include concepts of access to employment, equal pay for equal work, right to favourable conditions of work, and systemic discrimination (Agocs, 2002; Fleras & Elliott, 1996). In its broadest sense, employment equity is an approach to managing diversity aimed at achieving fairness in the workplace through progressive changes in employment practices (Mighty, 1996). It involves a comprehensive planning process that seeks to eliminate inequalities built into institutions and to redress employment disadvantages which racial and ethnic minorities, women, aboriginal people, and people with disabilities have historically suffered (Jain & Hackett, 1989). Employment equity programs include establishing goals and timetables for hiring and promoting representative numbers of groups facing discrimination, identifying and replacing discriminatory structures, systems, and practices, and implementing special measures to overcome long-term effects of past discrimination (Human Resources and Skills Development Canada, 2004a). Examples of special measures include: policies on sexual and racial harassment, language training, job accommodation for persons with disabilities, anti-racism training, flexible work arrangements, and improved access to training and apprenticeships, including recognition of cultural and geographical differences (Mighty, 1996).

The term "employment equity" was developed by Judge Rosalie Silberman Abella, Commissioner of the Royal Commission on Equality in Employment (1984), to describe a distinctly Canadian process for achieving equality in all aspects of employment. This term was meant to distinguish the process from the primarily

American "affirmative action" model (Human Resources and Skills Development Canada, 2004b). It was felt that the phrase affirmative action elicited negative reactions and resistance from many because it has become associated with interventionist government policies and the imposition of quotas (Mentzer, 2002). Abella argues that, ultimately, it matters little which term is used since both terms refer to

> "employment practices designed to eliminate barriers and to provide in a meaningful way equitable opportunities in employment" (Abella, 1984: 7).

Following a review by Mighty (1996), the concept of employment equity as a proactive means of achieving social justice is rooted in substantive, as opposed to the liberal, theory of equality (Working Group on Employment Equity, 1989). The liberal perspective argues for allowing all individuals an equal opportunity to participate in various aspects of human life (Dworkin, 1977). However, it ignores the fact that equality of opportunity frequently leads to unequal results, with disproportionate success for some groups and disproportionate failure for others, despite equal distribution of ability and effort among the groups. For example, an opportunity for a woman to compete for a job when the employer, her male competitors, and society in general believe that women are incapable of doing the job is, in this view, still regarded as an equal opportunity. The liberal approach essentially argues that unequal results are justified as long as everybody has an equal opportunity to succeed, and the state may only intervene to ensure that all individuals have equal opportunity (Dworkin, 1977).

In contrast, the substantive theory of equality argues for equality of result. This approach seeks to achieve a society in which success rates of all groups are the same. For example, a firm can only be described as an equal opportunity employer if its workforce at all levels is representative of the racial, ethnic, and gender composition of the community from which the employees are hired. Substantive theorists (e.g. Abella, 1984; O'Neill, 1977) reject the liberal notion of equality because it has not resulted in equality of success for all groups, despite the protection offered by human rights legislation.

Under the substantive approach, the state has a much stronger interventionist role than in the liberal approach. The state must ensure that all social groups reap equal benefits from the law, even if different or special treatment is required to ensure equality (O'Neill, 1977). Substantive equal opportunity cannot be gained by giving identical treatment to all social groups as advocated by liberal theorists. Some groups must be treated in ways that will lead them to have the same success rate as other groups. It is asking those with privilege to "move over and make space" to ensure everyone, despite their membership in a devalued group, has a fair and equal chance to succeed (Fleras & Elliot, 1996: 123). Moreover, employment equity will not yield equal results if specific employment criteria such as height, weight and clothing requirements affect groups differently. Height and weight requirements may exclude women, and clothing requirements may exclude some religious groups such as Muslims and Sikhs for jobs. Thus, according to the substantive theory of equality, equality of opportunity is a necessary but insufficient condition for achieving equality of result.

2.6 Historical Context of Employment Equity in Canada

Employment equity in Canada officially came into effect with the passage of the *Employment Equity Act* in 1986 as a government response to evidence of systematic employment discrimination (cf. Mighty, 1992). However, prior to 1986, a number of initiatives were undertaken in the areas of human rights, equal pay, and affirmative action (Agocs, 2002).

During the 1950s and 1960s, new employment statutes in most Canadian jurisdictions prohibited racial and religious discrimination and prescribed equal pay for men and women. The first Canadian Bill of Rights was introduced in 1960 and by the mid-1970s, human rights commissions had been established in all provinces.
In 1977, the Canadian Human Rights Act was enacted and in 1978, the federal government launched a voluntary affirmative action program aimed at the private sector. Federal contractors and crown corporations were targeted the following year. In 1980, a pilot affirmative action program was established in three federal government departments. Three years later, this initiative was extended to all departments in the federal public service (cf. Mighty, 1992).

The voluntary aspect of affirmative action programs proved to be quite ineffective as few organizations chose to put such policies into place. As a result, the federal government established the Royal Commission of Inquiry on Equality of Employment on June 23, 1983, chaired by Judge Rosalie Silberman Abella. In 1984, Judge Abella and the Commission released its report which formed the basis for employment equity in Canada. In the report, Judge Abella set out that:

- "The purpose of employment equity is to correct the disadvantage and discrimination in employment that affects women, racial minorities, aboriginal peoples, and persons with disabilities,

- Employment equity should be mandatory for most employers, at least in the federal jurisdiction, and there should be appropriate arrangements to ensure compliance, and
- Diversity exists and will increase among groups in the workplace, and differences must be recognized and accommodated rather than ignored" (Agocs, Burr, & Somerset, 1992: 8).

The report subsequently became the federal *Employment Equity Act* of 1986 (Bill C-62). Employment equity seeks to achieve fairness in the workplace, by removing systematic barriers and overcoming the discrimination which has kept four designated groups, namely women, racial minorities, aboriginal people and persons with disabilities, from being employed or promoted (Abella, 1984). Research has shown that these groups experience the highest level of unemployment; are consistently found in low paid, low skilled positions; earn less than White, male or able-bodied workers for performing the same jobs; and experience enormous difficulties advancing in the workplace, exceeding those of francophones, youth, the elderly, and other groups discriminated in the past (Agocs, 2002; Hartin & Wright, 1994). Abella (1984) asserted that from a purely economic point of view, employment equity was seen as a means of ensuring that human resources were not wasted because of discriminatory practices. It was felt that a healthy economy needed the contributions of all qualified people willing to work and the exclusion of members of designated groups from job opportunities and benefits contributed to the high cost of social service programs. In addition, the concern for employment equity was seen as conforming to the spirit of the Canadian Human Rights Act as well as Section 15 of the Charter of Rights and Freedoms, which guarantees individual freedoms and equal opportunities for every Canadian in all aspects of

Canadian life. It was felt that no individual should be denied employment opportunities or benefits for reasons unrelated to ability. Thus, employment equity programs were needed to address the unfair treatment and barriers experienced by historically disadvantaged groups. To reiterate, Section (2) of the *Employment Equity Act* states that its purpose is:

> "To achieve equality in the workplace so that no person shall be denied employment opportunities or benefits unrelated to ability and, in the fulfillment of that goal, to correct the conditions of disadvantages in employment experienced by women, aboriginal peoples, persons with disabilities, and persons who are, because of their race or colour, a visible minority in Canada by giving effect to the principle that employment equity means more than treating persons in the same way but also requires special measures and the accommodation of differences" (Employment Equity Act, 1986).

2.7 Legislative Requirements

There are two mandatory federal employment equity programs, namely the Legislated Employment Equity Program (LEEP) and the Federal Contractors Program (FCP). The Legislated Employment Equity Program, established under the *Employment Equity Act* of 1986, applies to all federally regulated industries (banking, communications, and transportation) and crown corporations with 100 or more employees. Employers are required to develop an employment equity plan, set goals and timetables for hiring and promoting representative numbers of designated groups, identify and eliminate discriminatory systems and practices in their organizations, replace them with non-discriminatory alternatives, implement special measures and make reasonable accommodation for differences. Employers are also required to collect data on their workforces including the total number of employees and the representation of the designated groups by industrial sector, geographic location, employment status, occupational category, salary range, hirings, promotions and terminations (Human Resources and Skills Development Canada, 2004a).

These data must be submitted annually by June 1st, to the Ministry of Human Resources and Skills Development Canada (HRSDC). The Employer Reports and Analysis Unit receives these reports and verifies them for compliance with the reporting requirements. Organizations that fail to report their results or annual plan are liable to face a financial penalty of up to $50,000 (HRSDC, 2004a). The Minister of Labour prepares a consolidation of all the employer reports and an analysis of the results achieved, and tables a report in Parliament. The 1999, 2000, 2001, 2002, and 2003 Annual Reports are currently available on the world-wide-web.

As provided in legislation, HRSDC issues guidelines and tools to employers on how to develop and implement employment equity programs. In addition, HRSDC has regional employment equity consultants who assist employers in meeting their obligations under the *Employment Equity Act*. For example, the assistance given to employers is usually through examining their employment systems, which refers to the policies, practices, and conditions used by organizations to recruit, train, promote, and compensate employees. The examination can determine if discriminatory practices are inherent in the way they recruit and select, train, develop, promote, evaluate, compensate, benefit, lay-off, recall, discipline, and terminate employees. They must also look closely at the conditions of employment. If necessary, they are advised to design and implement measures which will assist in eliminating discrimination (cf. Adkins, 1999). In 2000, there were approximately 394 such employers (private-sector employers and Crown corporations), representing approximately 612,344 employees or about 3.6 percent of Canada's labour force (HRSDC, 2004b).

Private companies bidding on federal contracts worth $200,000 or more, and having 100 or more employees, are also required to undertake employment equity initiatives under the Federal Contractors Program. Although not federally regulated, employers wishing to provide services to the federal government are required to commit to employment equity, before their bids will be accepted. The CEO of an organization must therefore sign an agreement stating their commitment to developing an employment equity action plan. Violations of the terms of the agreement or the program's requirements can lead to the exclusion of the employer from bidding on future contracts (Agocs, 2002; Taggar et al., 1997). The program is administered by workplace equity staff of Labour Standards & Workplace Equity from national headquarters, as well as by a network of regional Workplace Equity Officers across Canada. These same officers enforce the program by conducting periodic on-site compliance reviews at the premises of contractors. Results and reports of businesses under the Federal Contractors Program (FCP) are not made public. As of May 1, 2002, there were approximately 891 federal contractors, representing approximately 1,082,184 employees or about 6.4 percent of the labour force (HRSDC, 2004b).

The *Employment Equity Act* of 1986 was often criticized for "lacking teeth," suggesting it was not seen as enforceable or effective at achieving the objectives upon which it was established (Fleras & Elliott, 1996). For example, there were no sanctions nor enforcement for failing to comply with the *Act* (Agocs, 2002); there were no standards, benchmarks, or means to measure success if and when goals are obtained (Henry et al., 1995); there were no effective penalties for non-compliance (Jain & Hackett, 1989; Taggar et al., 1997); and employers took minimal action to improve the representation of designated groups (Fleras & Elliott, 1996). Subsequently, the *Employment Equity Act* was amended and strengthened in 1995 to address these shortcomings. A summary of the modifications includes:

- The Canadian Human Rights Commission has the authority to conduct on-site compliance reviews (i.e. audits) and ensure employer compliance,
- Employers are required to provide a narrative description of measures taken to implement employment equity and the results achieved,
- The *Act* extends to include the federal public service and special operating agencies (e.g. Canada Customs and Revenue Agency, Canadian Forces Personnel Support Agency, Canadian Security Intelligence Service),
- The obligations under the FCP are equivalent to obligations under the *Act*, and
- The newly created Employment Equity Review Tribunal has the power to issue "court enforceable orders" (Agocs, 2002; HRSDC, 2004a; Jain et al., 2003).

2.8 Assessment of Employment Equity Initiatives

Employment equity programs have been legislated in Canada since 1986. However, only a handful of studies have examined the impact and effectiveness of the Legislated Employment Equity Program, and even fewer have assessed the Federal Contractors Program. The following review of published studies provides a highlight and benchmarks achieved through employment equity legislation.

Blakely and Harvey (1988) published one of the first surveys on the effectiveness of employment equity. Their study was restricted to 29 Ontario employers and included organizations known to be leaders in employment equity. The study revealed that employers had a low commitment to employment equity, especially with regard to visible minorities. Most efforts were concentrated in recruiting, hiring, and record keeping of women in organizations.

Jain and Hackett (1989) had similar findings when they took a broader approach to a similar question. Using a random sample of 648 organizations from the Canadian Trade Index, they set out to assess the individual policies and practices of organizations, and their impact on the representation of designated groups. From the 190 respondents to the questionnaire, the researchers confirmed the findings of Blakely and Harvey (1988), that most organizations targeted women and not the other three groups, and few kept records of visible minority or disability status. They also discovered that few companies compared internal statistics with external availability of designated groups.

Benimadhu and Wright (1991) supported the findings that employment equity is most successful when senior management is involved. The Conference Board of Canada sent out 365 surveys to federally regulated industries examining resources used to administer the program, how the program had been integrated, and how policies and practices had been adjusted. The individual in charge of the program was also asked to assess its effectiveness. Results from the 100 corporations that responded showed that the initiatives benefited women the most, followed by members of visible minorities, but was less effective for increasing employment for Aboriginals and those with disabilities.

Another study showing that employment equity policies have the greatest impact on White women is Leck and Saunders (1992). White women without disabilities appeared to benefit the most by the initiatives, as they filled traditionally male-dominated positions, such as supervisory roles and manual labour. Visible minority women seemed to be hired in the broadest areas, filling both traditionally male (middle management, professional) and female-dominated (clerical) occupations. Aboriginal women and women with disabilities were most represented in traditionally female-dominated occupations, such as clerical positions. The researchers concluded that employment equity programs have a "positive effect on representative hiring" (Leck & Saunders, 1992: 216).

White women also benefited the most in the area of salary gains. Leck, St. Onge, and Lalancette (1995) found that the salary gap between White men and the four designated groups is slowly being reduced in all occupational categories except in the top salary categories. In the middle and lower occupation positions, the gap is decreasing, but it is increasing for higher paying salary categories. The sample and methodology was reported under Leck and Saunders (1992a, 1992b).

The findings on visible minorities paint a bleaker picture. Jain (1993) examined a representation of visible minorities in annual reports filed by prominent employers (e.g. Air Canada, Canadian Airlines, CN, VIA Rail, Bank of Montreal, Royal Bank, Toronto Dominion Bank, Bell, CBC, CTV, Global). He found that representation of visible minorities, when compared to the external labour force, was met only in the banking sector and was not well represented at all in some of the most prominent communication and transportation companies. Although some progress has occurred over the years (Jain & Verma, 1996; Taggar et al., 1997), visible minorities remain ghettoized in lower level positions and are poorly represented in upper level management and several other occupations. In a recent study, Jain and Lawler (2004) reported substantial under-representation of visible minorities, particularly in the communication and transportation sectors, and in smaller firms. They concluded that the "glass ceiling" has effectively hindered the promotion of visible minorities to upper and senior management positions, and sales and service occupations.

There is little public information on the results of the Federal Contractors Program, and even fewer studies on its assessment. In a longitudinal study examining federal contractor companies in Ontario, Agocs (1991) revealed that most companies had an under-representation of designated groups when compared to census data. The four groups remained narrowly distributed among the range of occupational groups, and women showed little change in their representation from 1986 to 1991.

In another study of 17 Ontario universities, 12 of which were participants in the FCP, Stewart and Drakich (1995) found that the four FCP universities with the most vigorous employment equity programs also had the highest level of recruitment for women in entry level faculty positions. However, they concluded that being a contractor for the federal government is not associated with gains in the hiring of women.

More recently, HRDC commissioned a study to assess the relevance, effectiveness, and value of the FCP program from 1995 to 2001. Data from employer self-reports indicated that representation for women and visible minorities showed improvements from 1995 to 1999 (HRDC 2002). However these improvements have largely disappeared in 1999, due in part to a reduction of resources in administering the FCP program. FCP also did not appear to have an impact on contracting or purchasing position of the federal government: only less than 5 percent of employers reported they were discouraged from bidding on federal government contracts because of FCP requirements.

Overall, the results suggest that formalized employment equity programs, coupled with strong upper management support, are crucial to achieving the equality goals of workplace diversity. Factors like organizational size (Jain & Lawler, 2004), upper management support (Benimadhu & Wright, 1991), and the type of employment equity programs (Jain & Verma, 1996; Leck, 1991; Leck, St. Onge, & Lalancette, 1995) are crucial to the success of employment equity policy on the representation and salary gaps of members of designated groups.

Although employment equity is officially sanctioned by the federal government, previous studies have shown that its implementation has been less than comprehensive, and organizations that try to implement it do so in a wide variety of ways. This research will attempt to explain such variations. It uses a theoretical framework that integrates two competing explanations of organizational responsiveness to test the hypothesis that the strategic choices made by organizational decision makers do have an impact on organizational diversity outcomes. Specifically, the adoption of diversity management is hypothesized to depend on CEOs' characteristics and commitment. The next set of literature provides a theoretical framework for understanding why some organizations adopt diversity management more effectively than others.

2.9 Theories Explaining Organizational Responsiveness and Behaviour

2.9.1 Institutional Theory

Institutional theorists are of the opinion that organizations have little control over their structures and processes, and are bound by their external environment (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Oliver, 1991). The basic premise behind the institutional perspective is that organizations must respond to a variety of institutional pressures and demands embodied in regulations, norms, laws, and social expectations (Meyer & Rowan, 1977). As a result, an organization's actions and behaviours are limited by environmental constraints, including the state, industry, economic, and social characteristics (DiMaggio & Powell, 1983; Meyer & Rowan, 1977).

According to the institutional theory, organizations within the same organizational field tend to become isomorphic or homogeneous in structure, process, and behaviour (DiMaggio & Powell, 1983). DiMaggio and Powell (1983) identified three processes of isomorphic change in response to pressures. These are coercive processes which involve direct and explicit political influence, mimetic processes which involve imitation of other organizations, and normative processes which involve conformity to standards established by external institutions. Consequently, organizations facing similar institutional environments will have similar structures and processes. Institutional theory is suited to explaining organizational responses to workplace diversity issues (Blum, Fields, & Goodman, 1994; Greening & Gray, 1994) because diversity issues are influenced by external pressures emanating from regulations, norms, employee groups, and the marketplace.

However, institutional theory has been deemed to be too deterministic, in that it accords little volition to organizations, and in essence makes the manager's role irrelevant to organizational processes and outcomes (Judge & Zeithaml, 1992). Institutional theorists believe that managers are severely constrained by prevailing environmental conditions, and have few options and little effect on organizational results (Bourgeois, 1984; Hannan & Freeman, 1977). In contrast, proponents of strategic choice suggest that an organization and its managers are much more proactive in determining the organization's structures and processes in spite of environmental conditions (Child, 1972; Hambrick & Finkelstein, 1987). A closer examination of the strategic choice perspective will clarify how it is different from the institutional perspective.

2.9.2 Strategic Choice Theory

Strategic choice theorists argue that top managers make decisions that influence organizational outcomes and performance (Child, 1972; Dean & Sharfman, 1996; Hambrick & Mason, 1984; Hrebiniak & Joyce, 1985). The strategic choice perspective is rooted in action theory, where organizational structures and responses are fashioned after the people in power (Astley & Van de Ven, 1983). Child (1972: 2) defined strategic choice as "the political process whereby power-holders within organizations decide upon courses of strategic action." This perspective focuses attention on the power holders to explain organizational processes. It is expected that effective strategic choice requires the exercise of power, and that organizational actors possess the discretions to act in their own free-will. Thus, top managers are assumed to have substantial leeway in shaping their own organizations (Finkelstein & Hambrick, 1996). The voluntary adoption of diversity management practices is an example of strategic choice.

Proponents of strategic choice argue that managers have considerable choice in determining the kinds of markets they enter, the clients they serve, the types of employees they recruit, and the performance standards and structural forms they adopt (Child, 1972; Miles & Snow, 1978). This view of management's role[3] goes beyond the traditional conception of management where strategic action has a mainly internal focus concerned with adapting organizational capabilities, such as technology, size, and environmental demands (Bourgeois, 1984; Hambrick & Mason, 1984; Hitt & Tyler, 1991). Instead, strategic choice theorists advocate that the formulation and implementation of policy is a proactive, political process. Political strategizing, whether at the level of focal organization, or within a collective of organizations, is a function of the dominant coalition, which refers to "those who collectively happen to hold most power over a particular period of time" (Child, 1972: 13). Thus, it is their construction of reality, based on their perceptions and values, that determines the strategic decisions made in organizations.

Miles and Snow (1978) identified three characteristics of the strategic choice perspective. They concluded that this perspective (1) views managerial or strategic

[3] Such role could be directed towards different targets, although Child's 1972 paper focused on the design of an organization's structure (Child, 1997).

choice as the primary link between the organization and the environment, (2) focuses on management's ability to create, learn about, and manage the organization's environment, and (3) encompasses the multiple ways that organizations respond to environmental conditions.

In sum, advocates of strategic choice reject the notion of environmental circumstances determining organizational adaptation, and emphasize the role of managers in determining how organizations respond to institutional pressures (Bourgeois, 1984). Thus, at the heart of this thesis is the capacity of the manager to affect organizational outcomes. The basic premise is although institutional forces may pressure organizations to implement employment equity, organizational decision makers exercise strategic choice in the way they respond to these pressures.

2.10 Leadership Behaviour and Decision Making

It is important to stress that the focus of strategic choice is on top executives and not on the organization per se. Top executives include a firm's President, Chief Executive Officer, Chief Operating Officer, and other senior corporate officers. The focus on CEOs was selected because the highest-level officers are the individuals most likely to possess discretion (Hambrick & Finkelstein, 1987), with least restrictive oversight, and hence have the ability to manifest personal preferences and energies into organizational outcomes (Norburn, 1989). For example, a recent National Post Business article describes the Chief Executive Officer (CEO) as:

> "the person most responsible for a corporation's success or failure. The CEO always functions at a macro level, setting general direction and

strategy, and sometimes driving a company's basic culture and philosophy. In recent years, the CEO has also become the public face of the corporation" (National Post Business, April 2003: 19).

CEOs bear the final authority and responsibility for setting and maintaining an organization's strategic course. For most organizations, CEOs are also the organization's substantive and symbolic leaders[4] (Pfeffer, 1981), whole roles include setting the corporate agenda, decision-making, and resource allocation (Cox & Blake, 1991). Therefore, CEOs are likely to be significant actors in the choice of social policies and programs adopted and executed by the organization.

A survey conducted by the Corporate Leadership Council (2002) confirms that CEOs are instrumental in championing diversity initiatives and impacting the long-term success of such efforts. Champions of diversity are required to take personal stands on the need to change, act as a role model for the behaviours required for change, and assist with the work of moving the firm forward. Thus, executive commitment and support are crucial to provide the necessary human, financial, and technical resources, set the agenda, change the human resource management systems (e.g. performance appraisals, compensation) and make a commitment to keep mental and financial support focused on diversity efforts for a period of years (Cox & Blake, 1991; Gilbert et al., 1999).

In light of this, investigations of human actors and their shaping of corporate responses to workplace diversity should begin with the CEOs. Toward this objective, a discussion of strategic leadership and behavioural decision-making is especially relevant.

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[4] Substantive domains include resource allocation, product market selection, securing resources, competitive initiatives, administrative choices (e.g. reward systems and structure), and staffing. Symbolic domains include language, demeanor, and personal action that the chief executive might use to alter or reinforce standards and values (Pfeffer, 1981).

For the purpose of this research, the terms "CEOs," "executives," "top executives," and "managers" have been used interchangeably to denote a firm's most senior executive.

2.11 Upper Echelon Perspective

Strategic leadership theory seeks to understand the impact of individuals or top management teams on organizations. Early theorists (Cyert & March, 1963; March & Simon, 1958) have recognized that perceptual and evaluational processes of managers play a role in strategic decisions. More recently, researchers have examined the link between top management's characteristics and perceptions, objective decision criteria and strategic choice (Child, 1972; Hambrick & Mason, 1984). Research prior to behavioural theories assumed "rational economic actors, maximizing their utility based on full, complete, and perfect information" (Hitt & Tyler, 1991: 329). However, behavioural research suggests that people violate the rational normative utility maximizing model, and instead rely on cognitive models to make strategic decisions (Kahneman & Tversky, 1982; Schwenk, 1984, 1986). For instance, Schwenk (1986) proposed that individual differences such as cognitive style, demographic factors, and personality traits affect the decision-making processes of individuals. The upper echelon perspective, as proposed by Hambrick and Mason (1984), essentially argues that strategic choices made by CEOs have a large behavioural component and reflect their cognitive bases and values.

Drawing upon the work of Carnegie School theorists, Hambrick and Mason propose that the process by which managers arrive at strategic decisions is perceptual, consisting of a series of sequential steps:

> "First, a manager, or even an entire team of managers, cannot scan every aspect of the organization and its environment. The manager's field of vision – those areas to which attention is directed – is restricted, posing a sharp limitation on eventual perceptions. Second, the manager's perceptions are further limited because one selectively perceives only some of the phenomena included in the field of vision. Finally, the bits of information selected for processing are interpreted through a filter woven by one's cognitive base and values. The manager's eventual perception of the situation combines with his or her values to provide the basis for strategic choice" (Hambrick & Mason, 1984: 195).

According to this model, the choices made by managers on behalf of the organization, reflect the characteristics of these managers. Building on this logic, it is argued that when confronted with the same environment, different executives will make different decisions based on their individual biases, experiences, and values. Thus, individual values and characteristics of CEOs play an important and significant role in the organization's strategic posture and the articulation of its policies in dealing with multiple forces in the internal and external environments.

The logic behind the upper echelon perspective follows directly from behavioural theorists, who argue that complex decisions are largely the result of behavioural factors rather than economic optimization. In their view, bounded rationality, multiple and conflicting goals, ill-defined options, and varying levels of aspirations are all derived from the decision makers' beliefs and values. Belief is defined as knowledge or assumptions about future events, alternatives, and consequences attached to the alternatives, and value as principles for ordering consequences or alternatives according to preferences (Hambrick & Brandon, 1988). The upper echelon perspective suggests that with the introduction of human values and beliefs, CEOs do not follow a totally rational model in making strategic decisions. As a result, CEOs may be persuaded by their own values to act in a normative fashion (i.e., what is right), rather than deciding to maximize shareholder wealth.

This theory has spurred numerous empirical studies of the association between managerial characteristics and organizational outcomes. For example, Miller, Kets de Vries, and Toulouse (1982) built on theories of psychology to investigate the relationship between a CEO's personality and his or her strategic decision-making behaviour. They found that firms led by confident, aggressive and active CEOs tend to undertake more innovative, risky and proactive strategies. A number of other studies have also found associations between executive characteristics and strategic change (Fondas & Wiersema, 1997; Wiersema & Bantel, 1992), innovation (Karake, 1995; Kitchell, 1997), environmental leadership (Egri & Herman, 2000), and corporate social performance (Thomas & Simerly, 1995).

To date, research on workplace diversity has not yet been linked to strategic leadership or the upper echelon perspective. If top executive characteristics are associated with systematic variations in organizational strategy and performance, then a similar link to diversity management should also exist. Hambrick and Mason (1984) propose that the cognitive bases and values of executives can best be inferred from surface level or observable demographic variables. These factors include age, functional tracks, other career experiences, education, socio-economic roots, financial position, and group characteristics. Demographic variables offer several distinct advantages: First, demographic variables are readily observable, unobtrusive, and convenient to measure

(Harrison, Price, & Bell, 1998; Milliken & Martins, 1996; Wiersema & Bantel, 1992). As such, they possess the advantages of objectivity, parsimony, comprehensibility, logical coherence, predictive power, and testability (Wiersema & Bantel, 1992). Second, the efficacy of the demographic approach has been demonstrated in numerous research of the relationship between managerial characteristics and organizational outcomes (Wiersema & Bantel, 1992). Pfeffer (1983) argued that "demography is an important causal variable that affects a number of intervening variables and processes, and through them a number of outcomes." Third, some background characteristics of a priori interest (e.g. tenure and functional background) do not have close psychological equivalents (Finkelstein & Hambrick, 1996). Thus, the use of demographic data appears to be a logical choice, and is consistent with previous research in strategic management.

However, Lawrence (1997: 2) argued that demographic variables lack conceptual clarity and "many theoretical concepts are loosely specified and unmeasured, leaving robust and interesting relationships a black box." For example, a person's educational background may serve as a muddied indicator of socio-economic background, motivation, cognitive style, risk propensity, and other underlying traits (Hambrick & Mason, 1984). In light of this, this research will incorporate CEOs' psychological attributes to help uncover the intervening process explanations of demographic variables as suggested by Lawrence. Thus, the research framework was expanded to include executive values (Beyer, 1981; Hambrick & Brandon, 1988), cognition (Mervis & Rosch, 1981; Rosch, 1978), personality and leadership styles (Burns, 1978; Conger & Kanungo, 1987; Finkelstein & Hambrick, 1996), and commitment (Hopkins, Hopkins, & Mallette, 2001; Salancik, 1977a, 1977b; Schwenk, 1988).

2.12 Psychological Attributes as Bases for Executive Action

Following Hambrick and Mason (1984), the personal characteristics of CEOs affect the choices they make. The following section will review the literature on the psychological constructs proposed in this research, defining each concept and describing its theorized or demonstrated links to executive actions in following the upper echelon perspective.

2.12.1 Executive Values

Theorists in psychology, sociology, anthropology, economics, political science, philosophy, and theology have set forth many value dimensions. These theorists have rightfully claimed the importance of values in their respective areas of study, but they often ignore the works of one another, resulting in vast theoretical divergence. As a result, there are far too many values to review or reconcile in this thesis. The most commonly accepted definition of values is provided by Rokeach (1973). He defined value in the following manner:

> "To say that a person has a value is to say that he has an enduring belief that a specific mode of conduct or end state of existence is personally and socially preferable to alternative modes of conduct or end states of existence" (Rokeach, 1973: 159-160).

Values are guides and determinants of social attitudes, ideologies and social behaviour (Rokeach, 1973). A relatively small number of values are conceived to determine several or many attitudes, and a given attitude is determined by several or many values. Thus, knowing an individual's values should enable us to predict how the individual will behave in various experimental or real life situations. For example, religious values should best predict differences in religious behaviour, political values should best predict political behaviour, and so on.

Values are thought to affect choices in two ways (England, 1967). First, there may be a direct influence when an executive selects a course of action strictly because of value preferences. The executive may fully comprehend the facts on all sides of an issue, and select the course of action that suits his or her values. England (1967) referred to this direct influence as behaviour channelling. When this occurs, the cognitive filtering process is skirted or immaterial. Far more commonly, it is values that have indirect influence on executive actions. In this indirect mode, values work through the perceptual filtering process, or perceptions. As a result, the executive "sees what he wants to see" or "hears what she wants to hear." This process is known as perceptual screening (England, 1967).

Rokeach (1973) classified values into either terminal values (desirable end states of existence) or instrumental values (modes of behaviour or means of achieving the desirable end states). Terminal values can be further divided into social or personal values, and instrumental values can be divided into morality-based and competency-based values. Social values include such items as "freedom," "equality," and "world peace," and morality-based values include items such as "politeness," "helpfulness," "affection," and "forgiveness." These types of values imply social interaction with others. Personal values include items such as “self-respect,” “broad-mindedness,” and “courage,” and competency-based values include such items as “logic” and “competence.” These two types of values are more centered on the individual and do not necessarily imply a broader social or societal perspective.

In short, CEOs’ values affect their behaviour and actions. CEOs make choices based on their varying values in what they want for themselves, their employees, and their organizations. Additionally, values also greatly determine other CEOs’ psychological attributes, including cognitions, which are discussed in the next section.

2.12.2 Executive Cognition

Carnegie School theorists argue for bounded rationality where top executives are confronted with far more stimuli than they can possibly comprehend. Those stimuli are often ambiguous, complex, and even contradictory. Hambrick and Mason (1984) conceptualized the way in which executives distil and interpret information through a three-stage filtering process. Theory and research on executive cognition is too extensive to be adequately reviewed here. At the heart of the literature is the concept that every executive is endowed with a cognitive model that determines whether and how new stimuli will be noticed, encoded, and acted upon (Hambrick & Mason, 1984). Cognitive categorization theory, as an attempt to link individual cognitions to organizational actions, offers an explanation of how decision makers’ cognitions and motivations systematically affect the processing of issues and the types of organizational actions taken in response to them (Dutton & Jackson, 1987; Schwenk, 1984). Categorization, which is a part of cognitive theories, is used to understand cognitive representations of the world (Mervis & Rosch, 1981; Rosch, 1978).

Some of the ill-defined events and trends confronting CEOs represent possible strategic issues for an organization because they are perceived as having the potential to have an effect on achieving organizational objectives. CEOs selectively attend to some of these emerging issues, while ignoring others. Those selected are subsequently interpreted and infused with meanings and labels (Dutton & Jackson, 1987; Thomas, Clark, & Gioia, 1993). Thus, when decision makers use particular labels to describe a given issue, the labels initiate a categorization process that affects subsequent cognitions and motivations of the decision makers. CEOs rely on categorization because it reduces the complexity of the stimulus world by organizing events into meaningful groups. Identifying and labelling strategic issues also helps decision makers impose order on the environment.

Two of the most common labels on strategic issues are "opportunity" and "threat" (Jackson & Dutton, 1988; Mintzberg, Raisinghani, & Theoret, 1976). Dutton and Jackson (1987) confirmed that decision makers evaluate an issue in positive or negative terms, and see it as representing a potential gain or loss for their organizations. Workforce diversity, as a strategic issue, is a double-edged sword and can be perceived as having a positive or negative impact on group processes and organizational outcomes (Milliken & Martins, 1996). Those who hold a resource-based view (e.g. Cox & Blake, 1991; Richard, 2000) see diversity as an opportunity that enhances creativity and performance, while those who hold a social contact perspective see increasing diversity as a source of inter-group conflict (e.g. Greenwood, 1999; Tsui et al., 1995) and a threat to organizational effectiveness.

In short, CEOs' categorization of workforce diversity as either a strategic opportunity or a strategic threat affects both subsequent information processing and the motivations of organizations actions, taken in response to increasing diversity.

2.12.3 Personality and Leadership Style

Beyond executive values and cognitions, other executive facets such as personality are also thought to affect organizational outcomes. For example, Kets de Vries and Miller (1986) argued that particular organizational configurations reflect the personalities of their top executives. Several common personality types such as flexibility, need for achievement, and locus of control of chief executives are said to be central in determining the strategies and structure in many organizations (Miller & Toulouse, 1986). Other personality factors which were focused on executives include tolerance for risk and ambiguity (Gupta & Govindarajan, 1984).

A more frequently studied personality typology is the "big five" personality traits or the five-factor model. The big-five personality traits are openness to experience, conscientiousness, extraversion, agreeableness, and neuroticism (emotional stability) (Barrick & Mount, 1991; Hogan, 1991; Tett, Jackson, & Rothstein, 1991). Although the big five are often studied within the context of job performance (Barrick & Mount, 1991; Tett et al., 1991) and team work (Kichuk & Wiesner, 1997), certain personality traits have been linked to different leadership styles (Bycio, Hackett, & Allen, 1995; Judge &

Bono, 2000). For example, extraversion, agreeableness, and openness to experience are associated with transformational or charismatic leadership (Judge & Bono, 2000).

Burns (1978) proposes that leadership style occurs as either transactional or transformational. Transactional leadership is based on bureaucratic authority and legitimate power in the firm. Transactional leaders emphasize task assignments, work standards, and employee compliance. These leaders rely on rewards and punishment to influence employee behaviour. On the other hand, transformational (or charismatic) leadership is a process that motivates followers by appealing to higher ideals and moral values. Transformational leaders are able to define and articulate a vision for a firm and then inspire followers to carry it out.

Although charisma and transformational leadership are not personality traits, they are affected by personality. Charisma represents one of the defining features of transformational leadership. Charisma is important because it evokes strong responses from followers. These responses include performance beyond expectations, changes in fundamental values held by followers, devotion, loyalty, reverence toward the leader, and willingness on the part of subordinates to sacrifice their own personal interests for the sake of a collective goal (cf. Finkelstein & Hambrick, 1996).

An organization's (ethical) orientation has also been linked to leadership styles. Specifically, transformational leaders are most closely connected to deontology, while transactional leadership is more related to teleological ethics[5] (Aronson, 2001; Kanungo,

[5] Deontology is derived from a Greek term, which refers to the duties or moral obligations of an individual. What is morally right is not dependent upon producing the greatest good, but rather by the behaviour itself. The moral worth of an action cannot be dependent upon the outcome because these outcomes are so indefinite and uncertain at the time decision is made. Instead the moral worth of an action depends upon

2001). Transformational leaders are able to convince their organizations that managing diversity is a business imperative and a moral obligation, and not simply a government mandate (Gilbert et al., 1999). Transformational leaders are associated with higher perceived integrity (Parry & Proctor-Thomson, 2002), and tend to exhibit more pro-environmental behaviours (Egri & Herman, 2000). It follows that if transformational leaders are more likely to engage in good citizenship behaviour, then a similar link to managing diversity should also exist. Thus it is argued that CEOs' leadership style serves to communicate and exhibit values that can lead to a plural orientation in an organization.

2.13 Summary

This chapter reviewed three sets of literature that are relevant to this research. The review of diversity management demonstrated that the previous emphasis has been on describing the consequences of workforce diversity at the individual and organizational levels. The employment equity literature was largely philosophical, providing a rationale for the substantive approach to managing diversity, and

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the intentions of the executive. Personal intentions are translated into personal duties because an individual will always act in certain ways to ensure the best for others, and those ways become duties rather than choices. The deontological perspective is also termed universalism, because of the universal nature of personal duties. Such duties include respecting individual rights, justice, and natural laws (Helms and Hutchins, 1992).

The instrumental or teleological perspective places emphasis on the outcome, rather than the intent of individual actions. Teleology is derived from a Greek term meaning outcome or results, and holds that the moral worth of personal conduct can be determined solely by the consequences of that behaviour. The criterion of what is ethically right is the non-moral value that is created. The teleological perspective is also termed utilitarianism, suggesting that the pursuit of egoist self-interest is the motive driving efficient economic outcomes. The basic premise of the utilitarian principle is to maximize the satisfaction of a firm's shareholders. The executive performs a cost-benefit analysis and pursues socially desirable activities only when the total benefits exceed the total costs (Helms and Hutchins, 1992).

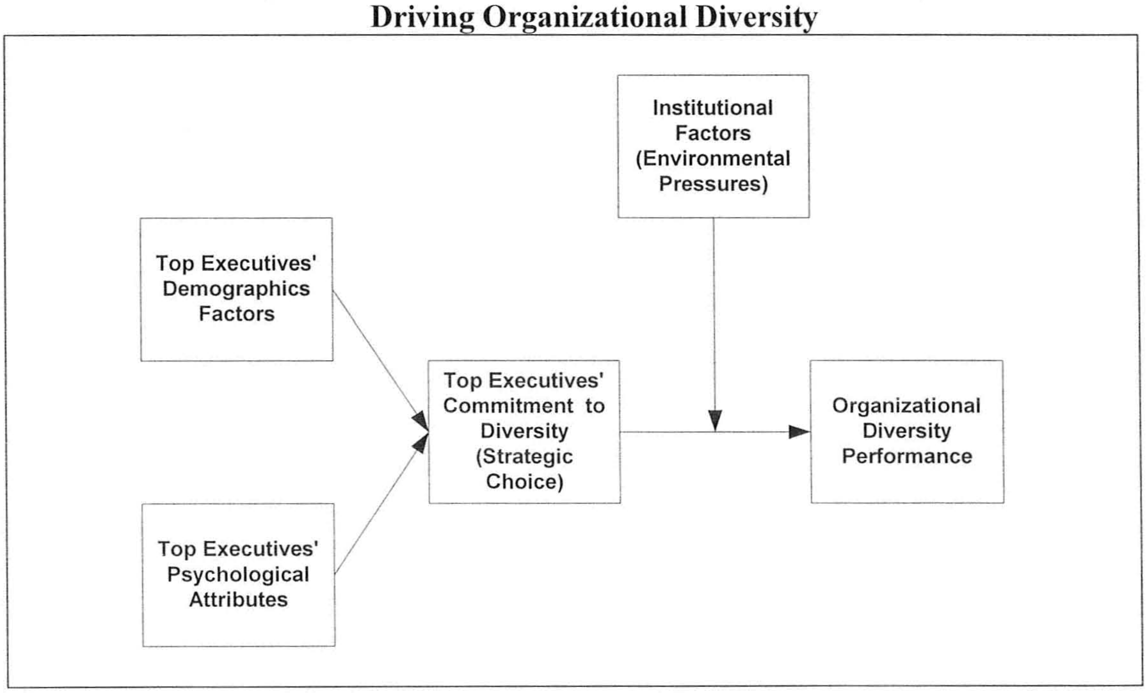
prescriptive, providing regulations and guidelines for implementing employment equity. Furthermore, neither these two sets of literature provided an understanding of why organizations adopt diversity management and how it is implemented. The third set of literature reviewed explanations of organizational action and behaviour, with particular emphasis on strategic managerial choice and upper echelon perspectives. This review also focused on how CEOs rely on their values, cognitive models, and leadership styles to make strategic decisions. The next chapter describes the research model and defines how the variables selected fit together with the literature reviewed in this chapter.

CHAPTER 3

RESEARCH MODEL AND HYPOTHESES

This chapter describes the research model, including the variables selected for investigation and the specific hypotheses being tested. The variables and hypotheses are formulated based on the literature reviewed in Chapter 2, and are presented in the context of employment equity programs sanctioned by the federal government. Figure 3.1 summarizes a conceptual framework of the institutional pressures and strategic choice driving the adoption of diversity management policies and practices.

Figure 3.1: Conceptual Framework of the Institutional and Strategic Choice Factors Driving Organizational Diversity



3.1 The Research Variables

There are two categories of independent (predictor) variables in this research, namely (1) CEOs' demographic characteristics, and (2) CEOs' psychological attributes, each with several dimensions. The dimensions identified for demographic factors include age, gender, ethnicity, tenure, background, and education. The dimensions selected for psychological attributes are values, cognition, and leadership style. Both the demographic characteristics and psychological attributes are expected to explain CEOs' commitment to diversity. Commitment to diversity, in turn, is used to predict organizational diversity performance, the outcome variable of interest. Organizational diversity performance is defined as an organization's performance in a set of broad diversity measures, including recruitment and employment of women and minorities, promotion of women and minorities, and other diversity policies and practices (Bell, Gilley, & Coombs, 2003).

3.2 Independent Variables

It is anticipated that variations in organizational diversity performance are dependent upon strategic managerial choice. Although choice may be constrained by external pressures (e.g. government mandate), it is argued that the choice of strategy is significantly dependent on several leadership characteristics. Whittington (1988) stressed the importance of social structures such as gender, ethnicity, and class as determinants of choice, and argued "it is powers that actors draw from these structures that constitute them as strategic choice decision makers… in the first place." The hypotheses formulated in the following sections follow the lead of Hambrick and Mason (1984) and place emphasis on the powerholders as predictors of organizational action and outcomes.

3.3 CEOs' Demographic Characteristics

3.3.1 Age

Age is expected to correlate with attitude towards diversity. Younger managers are more likely to hold positive attitudes toward diversity because of their socialization and acculturation in an era that is more tolerant of diversity than older generations. Oppenheimer and Wiesner (1990) found today's students, who will become tomorrow's leaders, are "raised in a society that increasingly values equality among all individuals… and exposed to messages from both media and schools in favour of equal treatment of all." Younger managers are also more likely to have attended school in a more diverse environment, or worked with minority groups at some point during their careers. Attitudes of prejudice and discrimination are therefore less embedded in their mindsets than those of older managers. Moreover, it is argued that younger CEOs are more likely to have greater learning capabilities (interpreted here as openness to experience), are more recently educated, and thus are more likely to be more risk taking, flexible, and innovative (Hitt & Tyler, 1991; Kitchell, 1997; Wiersema & Bantel, 1992). In light of the characteristics typifying younger CEOs, it is expected that younger CEOs are more likely than older CEOs to be committed to diversity.

3.3.2 Gender

According to the strategic choice perspective, strategic decisions are often based on the decision maker's perceptions and values. Research on reactions to affirmative action suggests a link to gender differences among administrators. Female administrators have been found to have more favourable reactions to affirmative action than their male counterparts (Tickamyer, Scollay, Bokemeir, & Wood, 1989). One possible explanation for this finding is that identification with one's social group influences the formation of attitudes such as in-group favouritism (Kanter, 1977). Female leaders are more likely to have experienced systematic discrimination themselves, or to be more aware of the disadvantages women face in employment on account of their gender, and thus are expected to be more proactive in embracing diversity practices than male leaders. Since leaders' gender identity may shape their attitudes towards diversity, it is expected to play an important role in firm diversity practices. Thus, it is predicted that female CEOs are more likely than male CEOs to be committed to diversity.

3.3.3 Ethnicity

Ethnic identifications of a leader affect several leadership cognitions, including leadership attitudes, behaviour, and performance (Bartol, Evans, & Stith, 1978). In the context of growing social awareness of truly multicultural origins of a majority of Canadians, managers cognizant of their own non-White ethnicity are expected to be more tolerant of diversity. It is expected that managers who identify themselves as non-White are more likely to have experienced some disadvantages associated with non-dominant or minority status. Therefore, they would be more likely to choose conforming strategies and to lead firms that exhibit broad diversity practices.

Moreover, the similarity-attraction paradigm suggests people are more attracted to and prefer to associate with people whom they see as similar to themselves. Pfeffer (1983) argued that demographically similar organizational members appear to enjoy important benefits that less similar individuals are less likely to enjoy. For example, top management teams with similar attributes and experiences benefit from improved communication, greater social circles, and access to networks, which in turn can affect their career outcomes (Ibarra, 1995). Thus ethnic identification and demographic similarity arguments suggest that CEOs who are members of ethnic minority groups are more likely to be committed to diversity.

3.3.4 Tenure

Literature on organizational change (Bantel & Jackson, 1989; Wiersema & Bantel, 1992) suggests that change can generate strong resistance because of socialization and self-selection processes. Hambrick et al. (1993) argued that CEOs with long tenures[6] have a great deal invested, psychologically and tangibly, in the status quo. These individuals have struggled for years to achieve the top office, and their strategies have been judged appropriate for the firm's current performance. In

[6] Tenure can be measured in terms of time spent (1) in the position, (2) in the organization, and (3) in the industry. Time spent is position is nested within time spent in organization and industry. Tenure is most often measured in terms of time in organization (Bantel & Jackson, 1989; Finkelstein & Hambrick, 1996; Thomas, Litschert, & Ramaswarmy, 1991; Wiersema & Bantel, 1991) and is considered for this study. A CEO needs to spend a period of time in the organization before his or her personal preferences can be institutionalized into the corporate culture and organizational practices.

short, they often have far more to lose than to gain, and thus become more committed to the status quo. Hence, CEOs with longer tenure in the firm are more likely to resist change and therefore less likely to embrace and commit to diversity practices. This prediction is consistent with Tickamyer, Scollay, Bokemeier, and Wood (1989). Administrators' (1989) who found administrators' attitude toward affirmative action differed with tenure. Thus, it is predicted that CEOs with longer tenure are less likely than those with shorter tenures to be committed to diversity.

3.3.5 Functional Background

According to Hambrick and Mason (1984), managers inevitably bring to their jobs an orientation developed from their functional experience. For example, Dearborn and Simon (1958) found that when a group of executives from different functional backgrounds were presented with the same problem, they tended to define it primarily in terms of their own function. Building on this, Hambrick and Mason (1984) classified functional specializations as either "output" functions or "throughput" functions. Output functions emphasize externally oriented activities such as developing products for new markets and searching for new domain opportunities. In contrast, throughput functions such as production, finance, and process engineering focus on the efficiency transformation of inputs to outputs. Studies (Chaganti & Sambharya, 1987; Thomas, Litschert, & Ramaswamy, 1991) found firms whose strategies rely on environmental scanning and the flexibility to respond to market forces tend to be led by managers with backgrounds with output functions, while firms which emphasize internal efficiency are led by managers in throughput functions. Building on this logic, it is predicted that CEOs with output-oriented backgrounds will be more sensitive to the needs of their diverse employees, and hence are more likely to pay attention to diversity concerns. Thus, it is expected that CEOs with output-oriented backgrounds are more likely than those with throughput-oriented backgrounds to be committed to diversity.

3.3.6 Education

Hambrick and Mason argued that managers' educational background provides an indication of their personal values and cognitive preferences. Drawing on cognitive theories, Bantel and Jackson (1989) suggested that since education and cognitive abilities are related, more highly educated managers are better able to generate creative solutions. This may explain why better-educated people are more receptive to innovations. In addition, managers with higher levels of education have likely had greater exposure to diverse views, acquired more knowledge about different peoples, developed greater analytical skills, became more flexible, tolerant, and open to diversity. They are more likely to understand and appreciate the implications of diverse workforces, and thus, choose more conforming strategies for dealing with diversity. Consistent with this argument, it is predicted that CEOs with higher levels of education are more likely than those with lower levels of education to be committed to diversity.

3.4 CEOs' Psychological Attributes

3.4.1 Values

CEOs' psychological profiles are less researched than demographics in strategic choice literature, and thus little is known about executive values and the choices they make. An individual's values are the basic tenets that guide beliefs, attitudes, and behaviour (Rokeach, 1973). Previous research found that values vary according to occupational category, with executives valuing respect, family security, freedom, a sense of accomplishment, and happiness most highly (Frederick & Weber, 1990). A value is believed to be the most abstract type of social cognition, whose function is to guide an individual's adaptation to the surrounding environment (Kahle & Goff Timmer, 1983). Brown (1976) contended that managers need to "codify their values into useful ethical guidelines and to accept and share multiple value systems in the organization."

Social and morality-based values[7] are theoretically most closely related to civil rights or discrimination against persons of different race or ethnic background. For example, Rokeach (1973) found "equality" (brotherhood, equal opportunity for all) to be strongly related to joining a civil rights organization, participating in a civil rights demonstration, and making eye contact with persons of another race. Concern for the poor is associated with "equality," a "sense of accomplishment" (lasting contribution), "national security" (protection from attack), "salvation" (saved eternal life), and "wisdom" (mature understanding of life) (Rokeach, 1973). Those least concerned for the

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[7] As a reminder, Rokeach (1973) classified values into social, personal, moral, and competence value schemes. Social values include freedom, equality, world peace; moral values include politeness, helpfulness, affection, forgiveness; personal values include self-respect, broadmindedness, courage; and personal values include logic and competence.

poor place a higher emphasis on "a comfortable life" (a prosperous life). Similarly in organizational settings, Agle, Mitchell, and Sonnenfeld (1999) found "helpful" (working for the welfare of others), "compassion" (feeling empathy for others), "equality," and "loving" (being affectionate, tender) to be linked to executive regard for employees.

Additionally, when asked about civil rights for Black Americans, more racist respondents ranked "a comfortable life," "family security" (taking care of loved ones), "happiness" (contentedness), "national security," and "pleasure" (an enjoyable, leisurely life) among their top values (Rokeach, 1973). Similarly, Agle and colleagues found "a comfortable life," "wealth" (making money for myself and family), and "pleasure" to be related to executive self-interest. Thus, personal and competency-based values are expected to be negatively or unrelated to diversity. Based on these observations, it is predicted that CEOs' who are other-regarding are more likely than those who are self-regarding to be committed to diversity. In addition, CEOs who hold social and moral values are more likely to be committed to diversity than those who hold personal and competence values.

Values are also related to academic pursuits. Rokeach (1973) found humanities majors (e.g. drama, English, fine arts) tend to care more for "a world of beauty" (beauty of nature and arts), being "forgiving" (willing to pardon others), and being "imaginative" (daring, creative). Social and physical sciences majors place a significantly higher value on "a comfortable life," being "ambitious" (hard working, aspiring), being "capable" (competent, effective) and "self control" (restrained, self-disciplined). Building on Rokeach's value typology, it is expected that values are related to an executive's academic choice and their functional background (e.g. human resource management vs. finance). For example, managers who are philosophy majors (humanities) are more likely to work in a softer business discipline such as human resource management, and emphasize an "employee advocate" model of management (as opposed to an "employer advocate" model) (Truss, Gratton, Hope-Hailey, McGovern, & Stiles, 1997). Thus, CEOs' values are related to their gender, ethnicity, background, and education. Although demographic factors are expected to relate to executive values, no hypothesis is predicted here for these relationships.

3.4.2 Cognition

Drawing on cognitive categorization theory (Dutton & Jackson, 1987; Mervis & Rosch, 1981), individuals form cognitive categories based on their observations of the features or attributes of issues. Once an issue has been cognitively categorized as an opportunity, involvement in the process of attending to the issue will be greater. Resource dependency theory emphasizes the overriding importance of material, monetary, and market resources for organizational survival (Pfeffer & Salancik, 1978). In this view, organizations develop and adopt strategies to increase the control over supplies of needed resources, or increase dominance in the market for needed resources. Thus, an organization's managers will take actions perceived to acquire resources essential for survival. For example, firms needing managers in certain computer applications may find that women dominate the supply of candidates with the desired experience levels, even though most existing managers are men. Resource dependence suggests a firm would increase the percentage of management jobs filled by women as they dominate the supply. This view is supported by Salancik (1979) who found that U.S. defense contractors were most responsive to affirmative action when they were dependent on the government. Thus, CEOs are likely to devote attention to diversity issues when they hold positive beliefs about diversity and the acquisition of resources (Rynes & Rosen, 1995; Robinson & Dechant, 1997). Taken together, resource dependency and cognitive categorization theories suggest that CEOs' commitment towards diversity is positively related to their cognition of diversity as a strategic opportunity.

3.4.3 Leadership Styles

Literature on transformational (charismatic) leadership has been related to ethical values and moral character (Bass & Steidlmeier, 1999; Kanungo, 2001). This leadership style is seen as originating in personal values and beliefs of the leaders, and not in an exchange relationship between leaders and followers (Bass, 1990). Transformational leaders are believed to function out of deeply held personal value systems that include values such as justice and integrity (Bass, 1990). For example, the leader is guided by values such as respect for humanity, equality of human rights, and doing the right thing. The moral leader supports and enacts comprehensive values that "express followers' more fundamental and enduring needs" (Burns, 1978: 42). In addition, transformational leaders are believed to gain influence by exhibiting important personal characteristics, such as self-confidence, dominance, and a strong conviction in the moral righteousness of one's beliefs (Bass, 1990). They exhibit inspirational leadership that includes individual consideration, intellectual simulation, and charisma (Bass, 1990). Thus, a transformational leader will take actions that enhance the well-being of the firm and its members. Building on this logic, it is argued that transformational leaders, guided by moral persuasions, are likely to show greater commitment to diversity and to have greater success in implementing firm diversity practices. Thus, it is predicted that CEOs exhibiting transformational leadership are more likely than those exhibiting *transactional leadership to be committed to diversity.*

3.5 CEOs' Commitment

In this research, it is hypothesized that CEOs' characteristics and attributes affect their level of commitment to diversity management, and the level of commitment has an effect on the organization's diversity practices and performance. In other words, CEOs' commitment to diversity is expected to have a positive impact on organizational diversity outcomes.

Salancik (1977a) defined commitment as "a state of being in which an individual becomes bound by these actions to beliefs that sustain the activities and his (or her) own involvement." Moreover, people's behaviour is generally consistent with their beliefs, attitudes, and values (Salancik, 1977b). Salancik identified three characteristics that bind an individual to his or her acts, and hence commit that person. They are visibility, irrevocability, and volition of the behaviour. The first committing aspect concerns how visible and observable the commitment is. Acts that are secret and unobserved lack the force to commit because the act cannot be linked clearly to an individual. Second, a behaviour must be relatively irrevocable for it to be committing. Irrevocability is committing because in taking a step that cannot be reversed, an individual is left to accept the salient implications that support it. Additionally, once we have committed to a situation that ceases to have utilitarian value, we are forced to endow it with more emotional and rationalizing sources of appeal. For example, the United States continued to send tens of thousands of troops to Vietnam because of its commitment to a policy, even though the solution was unworkable (Salancik, 1977a). Third, volition is essential to all commitment. It binds the actions to the person and motivates the individual to accept the implications of his or her acts. Therefore, without volition, behaviour is not necessarily committing because a person can always assert that he or she did not cause the behaviour itself. In sum, commitment leads to expectations about what we will do in the future. It moulds our attitudes and maintains our behaviour even in the absence of positive reinforcements and tangible rewards. Salancik asserted that "commitment is what makes us do what we do and continue doing it, even when the payoffs are not obvious" (Salancik, 1977a: 62). Thus, commitment to diversity is expected to result in greater firm diversity management.

3.6 Control Variables

A major premise of this research is that institutionalization and strategic choice both explain the adoption of diversity management. In order to investigate how organizational diversity performance varies with CEOs' commitment, it is important to control the institutional factors and to rule out any confounding and potential threats to internal validity (Schmitt & Klimoski, 1991). The institutional factors identified in this research are unions, industry, organizational size, and globalization.

3.6.1 Unions

Historically, the labour movement in Canada and the U.S. has been largely concerned with the welfare of White males (Hunt & Rayside, 2000). Racial minorities have relatively lower union membership and coverage under a collective agreement (Reitz & Verma, 2004). Labour researchers are advocating a shift in union strategies to focus on women and minority groups (Corporate Leadership Council, 1999; Hynes 2002; Yates, 2000). Major changes in workforce demographics are forcing unions to confront issues of occupation "ghettoization," job discrimination, refugee and immigrant status, sharp cultural and linguistic contrasts, and differences in religious practice (Hunt & Rayside, 2000). Unions are also associated with more formal approaches to human resource management, which suggests more equity and protection for unionized workers (Ng & Maki, 1994). This implies that union presence has a direct effect on employer responsiveness to workplace issues. Union membership is particularly important to those who are subjected to continuous discrimination (i.e. women and minorities) because collective bargaining emphasizes equal pay and fair treatment in the workplace. For example, Jain et al. (2003) reported that collective agreements in Canada contained employment discrimination in hiring, promotion, job assignment, compensation and other areas where discrimination may occur. Additionally, unions have also promoted the employment of women and minorities in the U.S. (Leonard, 1985). As a result, minority groups see unions as potential allies for meeting their equity goals. Thus, it is believed that unions play a significant role in the adoption of equity practices in organizations.

3.6.2 Industry

The more connected and structurally equivalent firms are to each other, the greater the institutional isomorphism (DiMaggio & Powell, 1983). Connectedness refers to the existence of transactions tying firms to one another, for example membership in industry (lobby) groups. Structural equivalence refers to similarity of position in a network structure, for example having ties of the same kind to the same set of other organizations such as an industry group. According to DiMaggio and Powell (1983), the structuration process involves increases in interaction among firms in the field, information inflows among firms, inter-organizational structures of domination and patterns of coalition, and awareness among members of different firms that they share a common concern. For example, professional associations and industry groups (such as the Canadian Bankers Association Employment Equity Advisory Group) frequently set self-regulating standards to avoid the risk of government sanctions. It is argued that firms that are more collectively organized and interconnected with the institutional field are also more likely to have similar strategic orientation towards diversity. Thus, it is expected that industry type will have an impact on a firm's strategic orientation and adoption of diversity management practices.

3.6.3 Organizational Size

Tolbert and Zucker's (1983) findings support the use of firm size as a predictor of the adoption of civil service reform and change in organizational structure. Increased size appears to enhance a firm's ability to handle the coordination, control and management problems usually associated with adaptation to changes and reform. Larger firms are more likely to be early adopters, to have specialized staff, and to separate human resource departments (Rynes & Rosen, 1995; Scott & Meyer, 1991). This could be the result of the relationship between size and both organizational visibility and greater availability of resources to address employment equity objectives (Jain & Lawler, 2004). Additionally, Aldrich and Auster (1986) found small firms have a much higher mortality rate than large firms. Among the liabilities of smaller firms is the inability to cope with government requirements, which can often incur substantial administrative costs. For example, smaller firms may be less able to establish separate diversity departments or to compete with larger organizations for diverse workforces. Thus, it is expected that organizational size will impact the adoption of diversity management practices.

3.6.4 Globalization

According to Meyer and Rowan (1977), firm success depends on factors other than efficient coordination and control of productive activities. Independent of their production efficiency, firms which exist in highly institutionalized environments and succeed in becoming isomorphic with these environments gain the legitimacy and resources needed to survive. Business case arguments for diversity inform us that employers are hiring women and minorities as a valuable resource to enhance creativity, marketing, and flexibility. Consistent with these arguments, firms reported greater financial performance in profits and market share as a result of hiring a more diverse workforce (Dadfar & Gustavsson, 1992; Gudmundson & Hartenian, 2000; Richard, 2000; Schrader, Blackburn, & Iles, 1997). Additionally, firms must globalize their operations in order to ensure their long-term survival in the face of emerging new markets and formalized trading blocks (Ng, 2001). As a result, multinational corporations are actively recruiting minority employees as they possess the language skills and cultural know-how necessary for conducting business in foreign environments (Cox & Blake, 1991; Taylor, 1995). Thus, it is expected that firms dependent on multinational operations for survival are more likely to adopt progressive employment equity practices.

3.7 Dependent Variable: Organizational Diversity Performance

The outcome or dependent variable in this research is organizational diversity performance. There are two approaches to evaluate the effectiveness of diversity management. The *Employment Equity Act* argues for a proportionate representation approach based on the availability of designated groups in the labour force, using six indicators. Some studies (e.g. Whitehouse, 1992) refer to this approach as the labour force "participation" rate. Other studies measure the outcome of diversity management as a percentage representation of designated groups based on the organization's workforce, using a broad set of measures. This method is also known as the “representation” approach (Edgar, 2001). Each of the two approaches is briefly reviewed below.

3.7.1 Labour Force Participation Approach

The goal of employment equity is to ensure that:

> “persons in designated groups achieve a degree of representation in the various positions of employment that is at least proportionate to their representation
> (i) in the workforce, or
> (ii) in those segments of the work force that are identifiable by qualification, eligibility or geography and from which the employer may reasonably be expected to draw or promote employees” (Section 4, Employment Equity Act).

Thus, the achievement of employment equity is operationalized in terms of representation and utilization of designated groups in the workplace proportionate to their labour force representation determined by census data. The federal government measures employers’ progress towards achieving a representative and equitable workforce using an index comprised of six indicators. They are representation, clustering, hiring, terminations, promotions, and salaries (Human Resources and Skills Development Canada, 2004a). These indicators assess the extent to which designated groups are represented in the organization, and whether their jobs and salaries are similar to those of other employees in the same organization. They also show the extent to which employers have improved the situation of designated groups in their workforce during the year through promotions, hirings, and retention activities (Human Resources and Skills Development Canada, 2004a).

Under the labour force participation approach, the representation indicator is calculated as the number of designated group members (such as women or visible minorities) employed in different occupational groups (e.g. managers, professionals, supervisors, skilled trades, sales and service, manual workers) relative to their availability in the workforce. There are objections to the use of availability data for the purpose of determining fair representation (cf. Mighty, 1992). Specifically, availability data reflects the number of designated group members who are "theoretically available and qualified for employment" but does not include those who, discouraged by experiences of systemic discrimination, have given up looking, and those whose qualifications are not recognized but who only need testing or brief supplemental training to be considered qualified. Thus, availability data under-represents the actual availability of qualified or readily qualified workers. However, in the absence of an objective true measure, objections to the use of availability data to determine fair representation does not negate the fact that designated groups should be found in proportions corresponding to their labour force representation. It should be noted that proportionate representation and utilization have been widely used to assess the effectiveness of employment equity programs in previous studies (e.g. Agocs, 2002; Jain, 1993; Jain & Hackett, 1989; Whitehouse, 1992). As the participation rate approach requires specific identification of organizations and matching of organizational workforce demographics to census data, it will not be considered in this study.

3.7.2 Representation Approach

Each year, U.S. based Council of Economic Priorities (CEP) in conjunction with *Fortune* magazine surveys the *Fortune* 1,000 companies plus the 200 largest privately held firms in the U.S. The CEP/*Fortune* survey uses a composite measure comprised of representation, leadership, and purchasing power in its methodology. Specifically, it measures the representation of minorities as a percentage of new hires, the firm's workforce, corporate officers and managers as proxy for "minority-friendly." It also includes the number of minorities who sit on the board of directors, the number who are part of the 50 top-paid executives, and the number of diversity programs they have. Other items in the survey include the amount of business with minority-owned businesses and the amount of charitable donations that benefit minority groups. Each category is assigned a weight and every company is scored by statistically comparing its performance with those of its peers in the survey (Fortune, 1999).

In using percentages as representation of minorities in the workforce, the CEP/*Fortune* survey ignores the numerical availability of qualified minorities in a given geographical area. Instead, it provides a measure of proportionate representation of their numbers in the organization's workforce population, and not the labour force as a whole. Although this approach is not in keeping with "proportionate representation in the work force" under the *Employment Equity Act*, it does provide an indication of how well the diversity programs in place are effective in increasing representation of minorities at various levels of the organizations. Thus, by utilizing representation as a measure, assumptions about the effectiveness of diversity management can be made. This methodology is also widely used in previously published studies (Blum et al., 1994; Edgar, 2001; Kossek, Markel, & McHugh, 2003).

Thus, for the purpose of this research, organizational diversity performance (the dependent variable) will adopt the representation approach to determine:

(1) Adoption of diversity management – which refers to the number of human resource management practices, procedures, programs, and systems related to workforce diversity; and

(2) Employment of designated groups – which refers to the numerical representation of women and minorities at various levels of the organizational hierarchy.

It is expected that organizational diversity outcomes will vary on these two dimensions. Organizations with little diversity management practices will have little success in recruiting women and minorities into their workforces, and little representation at the managerial level. Organizations with some levels of diversity management will have a greater representation of women and minorities, but they are likely to be concentrated in entry or lower level positions. Those with comprehensive diversity management are expected to have substantial representation of women and minorities, approaching that of the proportionate labour force population, and representation at various levels of the organizational hierarchy, including at the corporate officer and board levels.

3.8 Research Hypotheses

Based on the foregoing, the following hypotheses are examined:

Hypothesis 1:	*Holding all else constant, CEOs who (a) are younger, (b) a female, (c) a member of visible minority groups, (d) have shorter tenure, (e) have output-oriented functional background, (f) have higher levels of education, (g) are more self-regarding, (h) hold social and moral values, (i) hold positive cognition of diversity, (j) exhibited transformational leadership, are more likely to be committed to diversity.*
Hypothesis 2a:	*CEOs' demographic factors account for more variance than psychological attributes in explaining their commitment towards diversity.*
Hypothesis 2b:	*CEOs' psychological attributes account for more variance than demographic factors in explaining their commitment towards diversity.*
Hypothesis 3a:	*CEOs' commitment to diversity has a positive impact in the adoption of diversity management.*
Hypothesis 3b:	*CEOs' commitment to diversity has a positive impact in the employment outcomes for women and minorities.*
Hypothesis 4a:	*CEOs' commitment to diversity accounts for more explained variance in the adoption of diversity management than the environment.*
Hypothesis 4b:	*CEOs' commitment to diversity accounts for more explained variance in the employment outcomes for women and minorities than the environment.*

3.9 Summary

This chapter described the variables identified as potential predictors of diversity management, and it hypothesized relationships derived from the strategic choice and upper echelon perspectives. It also described the ways in which the adoption of diversity management is expected to vary with CEOs' demographic characteristics, psychological attributes, and commitment towards managing diversity. Table 3.1 lists the proposed hypotheses to be tested in this research, and Figure 3.2 summarizes the hypothesized relationships in a research model. The next chapter will describe the methodology used in testing the research model and the hypotheses specified in this chapter.

Table 3.1: List of Hypotheses

Predictors of CEOs' Commitment towards Diversity

Hypothesis 1: *Holding all else constant, CEOs who (a) are younger, (b) a female, (c) a member of visible minority groups, (d) have shorter tenure, (e) have output-oriented functional background, (f) have higher levels of education, (g) are more self-regarding, (h) hold social and moral values, (i) hold positive cognition of diversity, (j) exhibited transformational leadership, are more likely to be committed to diversity.*

Hypothesis 2a: *CEOs' demographic factors account for more variance than psychological attributes in explaining their commitment towards diversity.*

Hypothesis 2b: *CEOs' psychological attributes account for more variance than demographic factors in explaining their commitment towards diversity.*

Impact of CEOs' Commitment towards Diversity on Organizational Diversity Performance

Hypothesis 3a: *CEOs' commitment to diversity has a positive impact in the adoption of diversity management.*

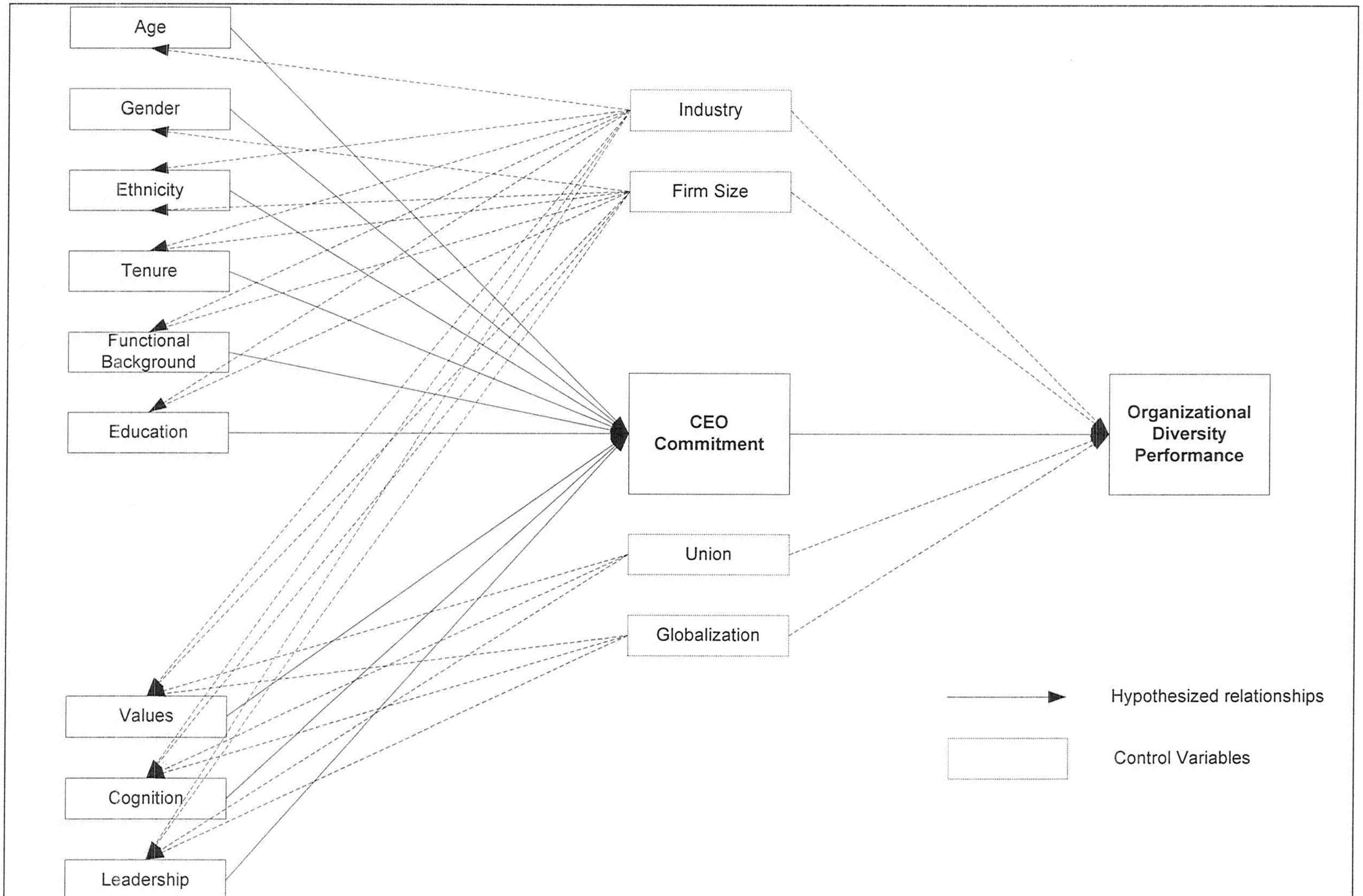
Hypothesis 3b: *CEOs' commitment to diversity has a positive impact in the employment outcomes for women and minorities.*

Strategic Choice vs. Institutional Pressures in determining Organizational Diversity Performance

Hypothesis 4a: *CEOs' commitment to diversity accounts for more explained variance in the adoption of diversity management than the environment.*

Hypothesis 4b: *CEOs' commitment to diversity accounts for more explained variance in the employment outcomes for women and minorities than the environment.*

Figure 3.2: Research Model with Hypothesized Relationships



CHAPTER 4

METHODOLOGY

This chapter describes the methods and procedures used in the design of the study, including sample selection, instrument development, data collection, and analysis. It ends with a discussion of some of the methodological issues and assumptions underlying the research design.

4.1 Research Design

The purpose of this research is to examine the role of CEOs' characteristics and commitment in explaining organizational diversity outcomes among a sample of organizations covered under employment equity programs. A field study involving organizations was deemed most appropriate for this research. A field study is conducted in a realistic and natural environment and provides a high degree of external validity. Thus, the findings are expected to generalize to other samples of executives or organizations.

A questionnaire survey was employed in this study. Survey designs are the methods used most often in studies involving CEOs (e.g. Waldman, Ramirez, House, & Puranam, 2001; Wiersema & Bantel, 1992). The survey questionnaire was comprised mostly of Likert type scales, as well as dichotomous and nominal items specific to demographics. This research is also cross-sectional in design since the data was collected at a single point in time.

The research undertaken here is exploratory in nature. It can be used to gain new insights and ideas into explanations of CEOs' characteristics and their commitment to managing workforce diversity. The inclusion of psychological constructs (e.g. values, cognition, and leadership styles) is expected to make a theoretical contribution by increasing our understanding of why and how CEOs can meaningfully affect organizational outcomes and structures.

4.2 Population and Sample Selection

The population in this study includes all federally regulated employers and crown corporations covered under the Legislated Employment Equity Program (LEEP), and all contractors certified under the Federal Contractors Program (FCP). Federally regulated employers under the LEEP are required to provide Human Resources and Skills Development Canada (HRSDC) with annual statistics showing the representation of designated group members hired, promoted, and terminated, and their employment status. FCP employers are required to certify their commitment to implement employment equity initiatives and to retain records regarding their implementation of employment equity, and thus are subjected to essentially the same standards and obligations required of federally regulated companies under the LEEP (Agocs, 2002; Jain et al., 2003). FCP employers may also face a compliance review after one year in the program, and risk exclusion from future contracts if they fail such a review (HRSDC, 2004a). For the purpose of this study, all federally regulated employers and all FCP contractors fundamentally face the same institutional pressure, i.e., the same objectives, requirements, obligations, and implementation of employment equity, with the notable exception of reporting/filing requirements.

All 313 employers under the LEEP and the 500 FCP contractors with the largest number of employees were selected for this study. The list was obtained from the most recent 2003 Annual Report of the *Employment Equity Act*. Because of the small population base, a purposive sampling procedure was used to select the largest FCP employers for this study. Although this sampling procedure departs from the statistical or random sampling norm, it does not pose a threat to the external validity of its findings. Instead, purposive sampling can enhance the representation of the population of interest (i.e. in selecting employers with the greatest number of employees) (Churchill, 1995). Thus, although companies with a smaller number of employees were excluded in this study, the organizations included are sufficiently heterogeneous on the key variables under investigation to facilitate the generalization of its findings across organizations. It is anticipated that there are considerable variations in organizational diversity outcomes (the dependent variable) given the breadth of discretion decision makers are able to exercise within the requirements of employment equity programs.

4.3 Instrument Development

Data for this research were collected primarily through a mail-administered questionnaire survey (See Appendix 2). Two separate questionnaires were designed to collect data on the independent and dependent variables, using Likert-type scales wherever possible, as well as dichotomous and nominal items for demographic information. The first questionnaire was sent to the most senior officer (e.g. President, CEO, Chair, Managing Director) of the target organization. It was used to gather information about the CEOs' values, cognition, and commitment to diversity, organizational characteristics, as well as personal demographic information. The second questionnaire was sent to the most senior executive responsible for human resources (e.g. Vice-President of Human Resources), and was used to gather information about the organization's workforce characteristics and human resource policies and practices in the areas of recruitment, training and development, compensation, accountability for diversity, and community support. It was felt that the human resources department would be most knowledgeable about the organization's policies and practices. Human resource executives are also responsible for keeping records and reporting workforce statistics to HRSDC. The second part of the questionnaire also assessed the CEOs' leadership style and commitment to diversity from a subordinate's perspective. Subordinates (e.g. Vice Presidents of Human Resources) are considered to be good informants concerning leadership because of their direct contact with CEOs (Waldman et al., 2001). Having subordinates rate their superior's leadership styles and (perceptions of) commitment towards diversity also reduces the effects of common method variance and social desirability bias. Common method variance can occur when two responses come from the same source, and usually at the same time (Saks, Schmitt, & Klimoski, 1999). For example, the variables "cognition about diversity" and "commitment towards diversity" could be spuriously related because of the respondent's desire to be consistent throughout the survey. In addition, having CEOs rate their own leadership styles could induce social desirability bias, as they may respond in a fashion that would make themselves look good in the eyes of the investigator (Saks et al., 1999).

4.4 Data Collection

Questionnaire surveys were mailed out to 813 organizations (313 LEEP and 500 FCP) comprising the initial sample. Two separate questionnaires were mailed to each organization, one to the top executive (CEO/President) and one to the most senior executive in charge of human resources, usually a Vice-President of Human Resources. The questionnaires were printed in a booklet format and each questionnaire was accompanied by a covering letter printed on McMaster University letterhead (See Appendix 2). The covering letter included statements about the University's Research Ethics Board approval, sponsorship of research by the DeGroote School of Business, and an offer of a copy of the research findings via completion of a postcard (See Appendix 2). The survey package was personalized with a mailing label identifying the respondent's name, title, organization, and business address. Each questionnaire also had a pre-printed serial number used for matching CEO and HR responses and for follow-up purposes. A postage paid business reply envelope was also included in the package.

Approximately 8 weeks after the initial mailout, a second follow-up package was sent to all respondents who had not responded to the initial mailing. A large number of resends was necessary, and the procedure used was identical to the first mailout except a replacement covering letter was used (Appendix 2). A follow-up telephone call was made to the list of respondents in the second mailout, to serve as a reminder, and to offer replacement questionnaires if the original had been misdirected or lost in the mail. As a result of the telephone calls, several questionnaires were faxed directly to CEO and HR executive respondents who indicated they did not receive the initial mailouts.

The third follow-up occurred approximately 6 weeks following the second mailout. The third follow-up also included telephone calls to all remaining organizations that had not responded and to those organizations with single matches (i.e. either the CEO or HR Executive has responded but not both). A final wave of mailout was sent to the remaining organizations, and again questionnaires were faxed directly to respondents who agreed to participate when contacted. The follow-up calling effort continued for a period of 8 weeks, until all organizations that had not responded had been contacted at least twice.

Of the 813 organizations included in the initial list, a number of mailouts were returned either because the company no longer existed (merged or ceased operations), or the respondent identified on the mailing label had departed the organization. In instances where the respondent had departed, the organization was contacted and a new survey package was sent to the current job incumbent. In addition, a total of 39 organizations contacted indicated they would not participate in the study, thus reducing the final mailing list to a total of 774 organizations.

4.5 Characteristics of the Sample

A total of 196 organizations responded to the study, yielding an effective response rate of 25.3 percent. This sample included 99 matched responses (listwise), 41 CEO only responses, and 56 HR executive only responses. The CEO respondents (N = 140) were mostly White males in their early 50s, with almost 16 years of service with their organizations, 8 of whom were at the helm as CEO/President. Almost 90 percent also confirmed that they were the company's CEO or President of the company.

As a group, the respondents obtained high levels of education, with over 85 percent having attended university. Fifty-five percent had earned a graduate degree while 30.4 percent possessed a bachelor's degree, 8.7 percent had completed college or trade school, and only 5.8 percent were educated up to high school. Sixty-five percent of the respondents had "output" functional backgrounds such as marketing/sales and strategy formulation, while 35 percent were from "throughput" functions such as accounting/finance and production. Table 4.1 presents the demographic characteristics of the respondents. It should be noted that although the focus of this research is on CEOs, the unit of analysis is at the organizational level.

Organizations covered under the Legislated Employment Equity Program made up 35 percent of the final sample, while Federal Contractors made up the remaining 65 percent. Among LEEP organizations that responded to the study, 4.5 percent were in banking, 29.5 percent were in communication, 50 percent were in transportation, 11.4 percent were government agencies and crown corporations, and 4.6 percent were in other

Table 4.1 Characteristics of CEO Respondents (N=140)

Title		
	CEO/President	89.1%
	Other	10.9%
Age		
	Under 40	5.4%
	41-50	33.3%
	51-60	46.6%
	61-70	13.2%
	Over 70	1.0%
Gender		
	Male	91.9%
	Female	8.1%
Ethnicity		
	Caucasian	98.6%
	Non-Caucasian	1.4%
Tenure		
	With Organization	15.8 years
Highest Education		
	High School	5.8%
	College/Trade School	8.7%
	Undergraduate Degree	30.4%
	Graduate Degree	55.1%
Functional Background		
	Output*	65.0%
	Throughput**	35.0%

** Output functions incl. Marketing/Sales, Science/Technology/R&D, International Economics/Politics, Human Resources, Foreign Languages, Media/Public, Negotiation/Conflict Resolution, Strategy, Computer*

*** Throughput function incl. Accounting/Finance, Production/Operations* industries. The corresponding industry percentages for all companies from the 2003 Annual Report of the *Employment Equity Act* were 5.2 percent for banking, 19.9 percent for communication, 62.8 percent for transportation, and 12.1 percent for government agencies, crown corporations and other industries. Chi-sq test between observed and expected response from the different industries was not found to be significant, χ^2 (3, N = 44) = 3.63, n.s., thus providing no indication of industry response bias.

4.6 Measures

This section describes how the various research variables were operationalized and measured. These measures are based on the theoretical considerations discussed in Chapters 2 and 3.

4.7 Independent Variables

There are two categories of independent or predictor variables in this research. They are CEOs' demographic variables and CEOs' psychological attributes. Each category of independent variables has several dimensions, and their measures are described below.

4.7.1 Demographic Characteristics

<u>Age</u>. CEO's age was measured and recorded as number of years.

<u>Gender</u>. Respondents were asked to indicate their gender. The response was dummy coded as 1 for "Female" and 0 for "Male."

Ethnicity. Respondents were asked to self-identify their own ethnicity based on the categories developed by Statistics Canada in the population census. The categories were Caucasian/White, Chinese, South Asian, Black, Arab/West Asian, Filipino, Southeast Asian, Hispanic, Japanese, Korean, Pacific Islander, Native/Aboriginal, Mixed, and Other. Because of the small number of non-Caucasian respondents, the variable was later dummy coded as 1 for "Visible Minority" and 0 for "Caucasian/White."

Tenure. Respondents were asked to indicate the number of years they have served in the current organization, and the number of years as the CEO.

Educational Level. Educational level was operationalized in terms of the highest level of formal education received. The items were measured using the labels, "graduate degree," "undergraduate degree," "college/trade school," and "high school."

Functional Background. Functional background was operationalized as either output or throughput. Following Hambrick and Mason (1984), accounting/finance and production/operations were coded as "throughput" function, while marketing/sales, science/technology/R&D, international economics/politics, human resource management, foreign languages, media skills/public speaking, negotiation/conflict resolution, strategy formulation, and computer literacy were coded as "output" functions.

4.7.2 Psychological Attributes

Values. Thirty-six value items developed by Rokeach (1973) were included in the first part of the questionnaire. CEOs were asked to indicate the relative importance of each of the 36 value items, using a 6-point Likert scale. Rokeach (1973) reported a testretest reliability of .78 when respondents were asked to rank order the values. Posner and Munson (1979), and Munson and Posner (1980) found that the Likert scale approach was as reliable as the ranking approach used by Rokeach.

A total of 6 scales comprising of morality, personal, social, and competence-based values developed by Rokeach, as well as self-regarding and other-regarding measures identified by Agle et al. (1999) were produced. Cronbach's reliability coefficients for Rokeach's values were .77 (moral), .81 (personal), .67 (social), and .75 (competence) respectively. With the exception of the social scale, these values are acceptable according to Nunnally's (1978) .70 criterion, and were higher than those reported in previous studies. For example, Hood (2003) reported reliability coefficients of .76 (moral), .55 (personal), .55 (social), and .56 (competence) using 14 value items on a sample of American CEOs. Cronbach's coefficients for self-regarding and other-regarding were .68 and .83 respectively in this study, and again were higher than those reported by Agle and colleagues (.64, self-regarding; .79 other-regarding). Cronbach's reliability coefficients for the values scales are presented in Table 4.2.

Cognition of diversity. Seven items developed by Mor Barak, Cherin, and Berkman (1998) were used to assess CEOs' positive cognition of diversity. Sample items included "I think diverse viewpoints add value," "I believe cultural diversity enhances firm marketing success at home and abroad," and "I believe diversity is a strategic business issue." Cronbach's reliability coefficient was .79 indicating an acceptable level of internal consistency. Similarly, 3 items from Bell et al. (1997) were used to measure CEOs' negative cognition of diversity. The items included statements like "I find

Table 4.2: Cronbach's Coefficient for Values Scales

Moral	*Personal*	*Competence*	*Social*	*Self-Regarding*	*Other-Regarding*
Cheerful	Comfortable Life	Ambitious	Peace	Comfortable Life	Loving
Courageous	Exciting Life	Capable	Beauty	Pleasure	Mature Love
Forgiving	Accomplishment	Imaginative	Equality	Happiness	True Friendship
Helpful	Family Security	Independent	National Security		Equality
Honest	Happiness	Intellectual			Forgiving
Loving	Inner Harmony	Logical			Helpful
Polite	Mature Love	Responsible			Wisdom
	Pleasure				
	Salvation				
	Self-Respect				
	True Friendship				
	Wisdom				
Cronbach's α = .7687	*.8056*	*.7506*	*.6708*	*.6756*	*.8318*

employment equity restricts the freedom a business has for making decisions," "Employment equity frequently takes a lot of time, effort, money, and paperwork for companies," and "Employment equity frequently operates as a quota system for filing jobs." Cronbach's coefficient for the negative cognition of diversity scale was .81. See Appendix 2 for all a listing of all items included in the scale.

Leadership style. HR executives were asked to rate their CEOs' leadership style using the Multifactor Leadership Questionnaire (MLQ) Form 5X (short form) developed by Bass and colleagues (Bass, 1985; Bass & Avolio, 1990). The MLQ is the most commonly used instrument to assess both transformational and transactional leadership styles (Lowe, Kroeck, & Sivasubramaniam, 1996). Sample items included "reinforces link between achieving goals and obtaining rewards," "communicates high expectations," and "transmits a sense of mission." Cronbach's coefficient for transformation and transactional leadership were .81 and .78 respectively. A listing of all items in the MLQ scale is included in Appendix 2.

4.8 Commitment to Diversity

Commitment to diversity. CEOs were asked to indicate their personal commitment to diversity. Nine items from Hambrick et al. (1993) were modified to assess CEOs' commitment to workforce diversity, and included items such as "I promote training and development for women and minority employees," " I reward efforts for diversity performance," and "I am personally involved in diversity committees."

Cronbach's coefficient was .90 indicating strong internal consistency, and all items in the scale are listed in Appendix 2.

Perceived commitment to diversity. HR executives were also asked to indicate their CEOs' commitment to workplace diversity. Three items from Konrad and Linnehan (1995) were used to assess their perceptions of CEOs' commitment and included questions such as "How important does top management consider your organization's reputation as an employer of choice for women and minorities?" "Overall, how proactive would you rate your organization's top management in their stance toward employment equity/diversity?" and "Which of the following statements characterizes top management's attitude toward employment equity/diversity?" with response options ranging from "actively resisting EE law" to "embraces the spirit of the law." Cronbach's reliability coefficient for the 3 items was .80. Frequency distribution for the individual items showed that 36.7 percent of the respondents indicated their top managers considered the company's reputation in the area of employment equity and diversity to be "neither important nor unimportant" to "extremely unimportant;" 58.2 percent felt their top managers were "neutral" to "extremely resistant" in their employment equity/diversity stance; and 58.6 percent thought their top manager "does not knowingly break or bend the law," "sometimes knowingly break or bend the law," and "actively resists employment equity law." These frequency distributions point to a lack of social desirability bias in the HR executive responses, and the correlation between CEO's self-ratings of commitment and HR's perceptions of CEOs' commitment is low ($r = .297$, $p < .01$).

4.9 Dependent Variable

The dependent variable in this study is organizational diversity performance, operationalized in terms of (1) adoption of diversity management, and (2) the employment of women and visible minorities at various levels of the organizational hierarchy. It was expected that these dimensions would have relationships with CEOs' commitment to diversity.

4.9.1 Adoption of Diversity Management

Measures of the adoption of diversity management included 36 items in the areas of policy on diversity, recruiting (hiring), training and development, compensation, accountability, and community support cited as essential to effective employment equity and diversity programs (Blanchard, 1989; cf. Konrad & Linnehan, 1995).

<u>Policy</u>. Respondents were asked to indicate whether or not their companies had formal policies on 10 items related to employment equity and diversity, with a Yes (1) or No (0). Sample items included "My company has a policy on employment equity/diversity," "There is a person with employment equity or diversity expertise on staff," and "There is an employment equity action plan." All 10 items were added together to form a summated "Policy Index." See Appendix 2 for a complete list of items.

<u>Recruiting</u>. Respondents were asked to indicate the prevalence of recruiting practices targeted at women and visible minorities, on 8 items using a 3-point scale ranging from "never, " to "sometimes," to "always." Sample items included "A formal

policy of aggressively recruiting designated groups for all management positions exists," "Hiring manager is informed if employment equity goals for the position have not been met," and "Employment equity concerns influence hiring decisions." All 8 items were added together to form a summated "Recruiting Index." See Appendix 2 for list of items in the questionnaire.

Training and Development. Respondents were asked to rate the training and development opportunities for women and visible minorities, on 4 items using the same 3-point scale. Items included "Members of designated groups are specifically targeted to receive management development training," "There is special mentoring program for women and minorities," and "Managers are trained in their employment equity/diversity responsibilities." All 4 items were added together to form a "Training and Development Index," and are reported in Appendix 2.

Compensation. Respondents were asked to rate the extent to which the organization's compensation practices were examined for pay equity on a 3-point scale. Four items were used to form a "Compensation Index" and included statements such as "Promotional salary increases for managers are examined for impact on equal pay," "Performance rating distributions are examined for managers in designated groups to determine if ratings are different from average," and "Management bonuses are examined for impact on equal pay." See Appendix 2 for a list of items.

Accountability. Respondents were asked to indicate the extent to which they were held accountable for employment equity/diversity goals, using a 3-point scale. Sample items included "Managers are informed of their employment equity/diversity goals in their departments," "Managers performance appraisals include departments' employment equity/diversity performance in relation to statistics and goals," and "Managers' compensation is linked to employment equity statistics and goals." All 7 items, which formed the "Accountability Index," can be found in Appendix 2.

Community Support. Finally, respondents were asked to rate the level of organizational support given to women and minorities on 3 items as follows: "Community women and minority programs or associations are regularly supported financially or through other non-financial means (e.g. providing meeting spaces, giving receptions, printing newsletters)," "Company sponsors membership in women and minority professional association for managers," and "There is a women's or minority interest group." All 3 items were added together to form a summated "Support Index."

4.9.2 Employment of Women and Visible Minorities

Respondents were asked to report the percentage of women and visible minorities in the organization, including the percentage (1) at the total organization level, (2) among new hires, (3) in management, (4) among corporate officers, (5) on the board (of directors), and (6) the percentage who comprise the top fifty highest paid employees. Items (2) to (5) sought information on how well women and minorities are represented at various levels of the organization. This information provides a measure of the success of purported diversity management practices in promoting women and visible minorities to upper organization levels. Item (6) examines if women and minorities make the cut for top pay and if examining for pay equity ("Compensation Index") increases the likelihood of women and minorities reaching top compensation levels largely enjoyed by White men.

4.10 Control Variables

Industry. Following Industry Canada's Standard Industrial Classification (SIC) for companies and enterprises, the organization's major product or service offering was recoded into one of the following SIC categories: banking, communication, transportation, manufacturing, resource, service, technology, other, and government/crown corporation. Banking, communication, and transportation are also the industries covered under LEEP.

Firm Size. Firm size was measured in terms of the number of employees as reported by the respondent.

Union. Respondents were asked if the organization was unionized and the results were dummy coded 1 for "Yes" and 0 for "No." Respondents indicating "Yes" were also asked to indicate the percentage of total workforce unionized, length of time employees had been represented by union, and the relationship with the union.

Globalization. Globalization was operationalized by the percentage of revenues derived from international operations.

Table 4.3 summarizes the selected research variables in this study.

Table 4.3: List of Research Variables

INDEPENDENT VARIABLES	
CEOs' Demographic Factors	Age Gender Ethnicity Tenure Functional Background Education Level
CEOs' Psychological Attributes	Values Cognition Leadership Style
DEPENDENT/INDEPENDENT VARIABLE	CEOs' Commitment towards Diversity
DEPENDENT VARIABLES	
Adoption of Diversity Management	Policy Recruitment Training and Development Compensation Accountability Community Support
Employment of Designated Groups	Percent Women/Visible Minorities in Organization Percent Women/Visible Minorities among New Hires Percent Women/Visible Minorities in Management Percent Women/Visible Minorities among Corporate Officers Percent Women/Visible Minorities on Board of Directors Percent Women/Visible Minorities among Fifty Highest Paid Employees
CONTROL VARIABLES	Industry Organizational Size Union Globalization

4.11 Data Analysis

All responses were coded, inputted, and analyzed using the SPSS statistical software. The major statistical procedure used in this study was Ordinary-Least Squares (OLS) regression analysis. Regression analysis is appropriate because it is used to account for (or predict) the variance in the dependent variable based on linear combinations of interval, dichotomous or dummy independent variables (Garson, 2004). It can also establish that a set of independent variables explains a proportion of the variance in a dependent variable (significance test of R^2) or the relative predictive importance of the independent variables (comparing beta weights). Dummy variables were used, where appropriate, to code demographic and dichotomous information. Multiple regression analysis with dummy variables yields the same inferences (statistically equivalent) as multiple analysis-of-variance (MANOVA) (Garson, 2004). Correlational analysis was also used to examine the relationships between the research variables. Hierarchical multiple regression analysis was used, for example, to determine the increased explanatory power of additional categories of independent variables in predicting CEOs' commitment.

Although the use of Structure Equation Modelling (SEM) analysis would have been desirable to determine the validity of the proposed model, the sample size in this study simply did not permit such an analysis. For example, Boomsma (1982) suggested that that sample sizes below 100 should not be used for SEM analysis. Jöreskog (1981) recommended a minimum sample size of 400 for accurate estimation. The listwise sample in this study was 99 matched CEO-HR executive responses, which makes SEM analysis inappropriate. The sample size in this study does meet the regression assumption "the number of independent variables must be less than the number of observations" (Kahane, 2001: 72), and allows for adequate statistical power for generalization.

Finally, one-tailed tests are used to assess the significance of directional hypotheses, and two-tailed tests are used to assess the significance of controls.

4.12 Design Issues

Surveys of corporate CEOs have often suffered from response rates of less than 25 percent (Milliken, 1990; Westphal, 1999; Zajac, 1990). Recent response rates in the *Academy of Management Journal* publications involving CEOs as respondents have ranged from 13.6 percent (Agle et al., 1999) to about 20 percent (Waldman et al., 2001). Thus, to ensure the highest possible response rate, a total of three mailouts with follow-up phone calls were carried out over a period of 22 weeks. The response rate in this study may also have been negatively affected by HR executives' reluctance to rate their CEOs' leadership, many of whom are prominent Canadian business leaders. Even the highly publicized CEP/*Fortune* study of 1,000 companies and 200 private firms consistently receives response rates of about 11 percent in their surveys of minority friendly practices (Bell et al., 2003). In Canada, the *Canadian Business* magazine (2004) has similarly reported that they received insufficient voluntary data, and had to rely on the Annual Report of the *Employment Equity Act*. Thus, the resulting response rate in this study was as high as could be expected when executives were asked to respond to many sensitive questions.

A criticism of this research design (i.e. questionnaire survey) is the potential for social desirability effects (Cox, 1990). Among the measures most susceptible to social desirability was CEOs' self-ratings of commitment towards diversity. Upon closer examination, the cumulative percentage of CEOs who responded that they were less committed to diversity, i.e. answered below the midpoint (30 or lower out of a possible range of 6 to 54) on a summated scale, was 53.1 percent. Moreover, 56.3 percent of the CEO respondents indicated they did not frequently include diversity in speeches, 60.3 percent they did not reward efforts for diversity performance, 80.9 percent did not link compensation to diversity outcomes, 83.8 percent had not used an outside diversity consultant, and 68.9 percent had not been personally involved with diversity committees, thus giving no evidence of social desirability bias.

Additionally, the correlation between CEOs' self-reported commitment to diversity and perceptions of commitment by HR executives was weak ($r = .275$, $p < .01$) suggesting that they are two separate, but related, constructs.

Another potential area open to social desirability effects is the percentages of women and minorities reported by the organizations. The percentage of women in the organization reported by the respondents ($M = 34.02$, $SD = 19.66$) was significantly higher than that published in the 2003 Annual Report of the *Employment Equity Act* ($M = 30.42$, $SD = 17.76$, $t(41) = 3.18$, $p < .05$ (two-tailed). Similarly, the percentage of visible minorities in the organization ($M = 13.31$, $SD = 13.61$) was also significantly higher than that found in the Annual Report ($M = 7.27$, $SD = 6.40$, $t(40) = 3.07$, $p < .05$ (two-tailed), pointing to the possibility of social desirability effects. The differences however did not hold for the percentages of new hires among women and minorities. For example, the percentages of new hires for women ($M = 34.06$, $SD = 23.40$) and minorities ($M = 12.53$, $SD = 15.64$) reported in the survey were not different from the Annual Report, ($M = 36.03$, $SD = 23.40$, $t(36) = -.63$, n.s. (two-tailed)) and ($M = 7.61$, $SD = 9.41$, $t(35) = 1.56$, n.s. (two-tailed)). In conversations with HR executives from two communication companies (Bell and CBC), the figures reported in their surveys were the most recently available information, and will be used to file their 2004 Annual Reports to HRSDC. Consequently, the results reported by the respondents in this study were not comparable to those in the 2003 Annual Report, and thus there is inconclusive evidence pointing to social desirability bias. It should be noted that the purpose of this study is to examine the role of CEOs' characteristics and commitment, and the variation in the adoption and adoption of diversity practices, and hence social desirability effects is not a major concern.

Finally, the institutional pressure from government mandate to implement employment equity is considered to be similar for federally regulated employers under LEEP and for federal contractors under FCP. To verify this assumption, the differences in the percentages of women and minorities at various levels of the organization were tested with multivariate analysis-of-variance (MANOVA). The percentages reported by both EEA and FCP respondents were not found to be different, $F(12, 41) = 1.84$, n.s., allowing the EEA and FCP sub-samples to be combined for further analyses. Thus, for the purpose of this study, all EEA and FCP respondents were treated as equal.

4.13 Summary

This chapter described the research methodology used in this study. It began by providing details about sample selection, the measures used, and the procedures followed in data collection. It also described how data was coded, and the tests completed to ensure internal consistency of survey instruments. The chapter ended with a discussion of design issues, notably on sample size, potential for social desirability effects, and testing the assumption that federally regulated (LEEP) employers and federal contractors (FCP) face the same institutional pressure in implementing employment equity.

CHAPTER 5

RESULTS

This chapter presents the results from data analysis procedures described in Chapter 4. The main purposes of this analysis are to determine:

(1) The extent to which CEOs' demographic characteristics and psychological attributes explain their commitment to workforce diversity; and

(2) The extent to which CEOs' commitment to diversity explains the variations in organizational diversity performance.

Demographic predictors of CEOs' commitment are the leaders' age, gender, ethnicity, tenure, education, and functional background. Psychological attribute predictors of CEOs' commitment are the leaders' values, cognition about diversity, and leadership styles. Organizational diversity performance was operationalized in terms of the adoption of diversity management, and the employment of women and visible minorities.

5.1 Descriptive Statistics

Table 5.1 summarizes the descriptive statistics (means and standard deviations) for the research variables. Except for some measures of representation whose distributions are non-symmetrical, most of the data are normally distributed. The data are thus suitable for testing the hypothesized linear relationships between the independent and dependent variables.

Table 5.1: Descriptive Statistics for the Research Variables*

VARIABLES	M	SD	N
Independent Variables			
Age	53.13	7.97	138
Tenure	15.82	12.32	137
Moral Values	34.12	3.73	139
Personal	57.12	6.57	134
Competence	34.72	3.59	140
Social	18.21	3.12	140
Self-regarding	13.88	2.08	137
Other-regarding	32.79	4.59	140
Positive about diversity	35.12	4.49	138
Negative about diversity	9.70	3.71	137
Transactional	21.68	3.06	150
Transformational	18.37	3.71	145
Commitment to diversity	28.71	9.63	130
Perceptions of Commitment to diversity	10.87	2.07	145
Control Variables			
Organizational Size	2,623.87	7,570.91	139
Globalization	23.66	29.00	124
Dependent Variables			
Policy	6.40	2.56	136
Recruitment	12.06	2.76	144
Training & Development	7.17	1.84	145
Compensation	7.76	2.74	131
Accountability	10.75	3.07	130
Support	3.58	1.32	137
% Women in organization	37.25	19.33	137
% Women new hires	39.04	22.22	132
% Women in management	24.13	17.25	132
% Women among corp. officers	15.09	18.23	108
% Women on board of directors	14.78	16.70	94
% Women among 50 highest paid	18.97	16.01	107
% VM among 50 highest paid	8.60	11.84	102
% VM in organization	16.56	15.45	132
% VM new hires	17.74	18.34	120
% VM in management	9.27	14.66	120
% VM among corporate officers	3.99	10.06	94
% VM on board of directors	5.70	14.48	77

**Gender, minority status, union, industry (dummy coded variables) not reported*

5.2 Bivariate Statistics

Pearson Correlation Coefficients were calculated for all of the relationships between each variable, and the results are presented in Tables 5.2 and 5.3. With the exception of other-regarding and self-regarding, none of the independent variables had correlations greater than .70, thus minimizing any concerns of multicollinearity. Other-regarding was correlated with personal, social, and moral values above .70, while self-regarding was also correlated with personal values above .70, primarily because they share many items together (see Table 5.2). Table 5.2 presents the relationships between the independent variables and CEOs' commitment to diversity. Table 5.3 presents the correlations between CEOs' commitment to diversity and measures of organizational diversity performance. OLS regression analyses will be used to test the hypotheses.

5.3 Multivariate Analyses

The conceptual framework presented in Chapter 3 predicted that both CEOs' demographics and psychological attributes would be determinants of their commitment to diversity. Multiple regression analyses were conducted to test these assumptions and to determine the extent to which each of these factors explained the variance in the adoption of diversity management. Multiple regression analysis accounts for intercorrelations among the predictor or independent variables and allows us to "clearly distinguish the separate yet subtle effects of (two) independent variables" (Kahane, 2001: 114). Bivariate analyses (Tables 5.2 and 5.3) confirmed that none of the independent variables

Table 5.2: Correlations Matrix for CEOs' Commitment and Perceived Commitment

		N	1	2	3	4	5	6	7	8	9	10	11
1	Age	135	1.000										
2	Gender	136	-0.062	1.000									
3	Minority Status	138	0.082	-0.037	1.000								
4	Tenure	137	0.427**	-0.184*	0.131	1.000							
5	Education	138	-0.005	0.003	-0.119	-1.990**	1.000						
6	Functional Background	123	0.049	0.200*	0.094	-0.242**	0.137	1.000					
7	Other-Regarding	140	0.319**	0.143*	0.058	-0.010	0.035	0.104	1.000				
8	Self-Regarding	137	0.130	0.021	-0.110	0.038	-0.017	0.004	0.402**	1.000			
9	Personal Values	134	0.273**	0.096	0.018	0.066	0.007	0.043	0.782**	0.738**	1.000		
10	Social Values	140	0.350**	0.144*	0.089	0.071	0.056	0.105	0.731**	0.386**	0.653**	1.000	
11	Competence Values	140	0.211**	0.106	-0.091	-0.082	0.121	0.022	0.526**	0.419**	0.633**	0.453**	1.000
12	Moral Values	139	0.380**	0.132	0.061	0.034	0.057	0.043	0.846**	0.410**	0.691**	0.674**	0.604
13	Positive Cognition	138	0.299**	0.170*	0.119	-0.024	0.067	0.097	0.498**	0.068	0.409**	0.406**	0.376**
14	Negative Cognition	137	0.031	0.019	-0.187**	0.087	-0.003	-0.134	-0.020	0.267**	0.158*	0.068	0.232**
15	Transactional Leadership	150	0.064	0.040	-0.230*	-0.091	0.040	0.237*	0.085	-0.051	0.048	0.034	0.227*
16	Transformational Leadership	145	0.033	0.122	-0.046	0.012	-0.093	0.055	0.103	0.158	0.166	0.030	0.177*
17	Industry	135	0.047	-0.046	0.060	-0.089	0.287**	0.261**	0.032	-0.102	-0.022	-0.095	0.087
18	Firm Size	139	0.075	0.170*	-0.032	0.051	0.071	0.041	-0.012	-0.016	0.037	0.124	0.100
19	Union	138	0.031	0.051	-0.140	-0.169*	0.073	-0.026	0.070	-0.027	0.018	0.189*	0.118
20	Globalization	124	0.031	-0.033	-0.012	0.110	0.026	-0.028	-0.019	0.094	0.039	-0.006	-0.079
21	Commitment	130	0.357**	0.109	0.188*	0.116	-0.015	-0.017	0.396**	-0.057	0.251**	0.340**	0.192*
22	Perceived Commitment	145	-0.091	0.090	-0.115	-0.114	0.023	0.169	0.004	-0.172	-0.121	0.131	0.038

***p< .01 (one-tailed), *p<.05 (one-tailed)*

Table 5.2: Correlations Matrix for CEOs' Commitment and Perceived Commitment (Continued)

		12	13	14	15	16	17	18	19	20	21	22
12	Moral Values	1.000										
13	Positive Cognition	0.423**	1.000									
14	Negative Cognition	0.006	-0.210**	1.000								
15	Transactional Leadership	0.114	0.191*	-0.073	1.000							
16	Transformational Leadership	0.147	0.111	0.045	0.522**	1.000						
17	Industry	0.035	0.097	-0.109	0.015	-0.148	1.000					
18	Firm Size	-0.016	0.126	-0.048	0.210*	0.272**	-0.200**	1.000				
19	Union	0.061	0.209**	-0.027	0.206*	-0.040	-0.113	0.218**	1.000			
20	Globalization	0.026	-0.139	-0.114	-0.254**	-0.155	0.017	-0.064	-0.141	1.000		
21	Commitment	0.361**	0.610**	-0.149*	0.029	0.029	-0.019	0.223**	0.281**	-0.106	1.000	
22	Perceived Commitment	-0.016	0.252**	-0.085	0.409**	0.275**	-0.122	0.377**	0.281**	-0.016	0.297**	1.000

***p< .01 (one-tailed), *p<.05 (one-tailed)*

Table 5.3: Correlations Matrix for the Adoption of Diversity Management and Employment Outcomes for Women and Minorities

		N	1	2	3	4	5	6	7	8	9	10	11	12
1	Industry	135	1.000											
2	Firm Size	139	-0.200**	1.000										
3	Union	138	-0.113	0.218	1.000									
4	Globalization	124	0.017	-0.064	-0.141	1.000								
5	Commitment	130	-0.019	0.233**	0.281**	-0.106	1.000							
6	Perceived Commitment	145	-0.122	0.377**	0.281**	-0.016	0.297**	1.000						
7	Policy	136	-0.282**	0.219**	0.154	0.128	0.374**	0.508**	1.000					
8	Recruiting	144	-0.279**	0.216**	0.231*	0.033	0.360**	0.562**	0.576**	1.000				
9	Training	145	-0.191**	0.187**	0.244**	0.072	0.311**	0.567**	0.619**	0.606**	1.000			
10	Compensation	131	0.071	-0.025	-0.059	0.037	0.210*	0.390**	0.224**	0.306**	0.456**	1.000		
11	Accountability	130	-0.334**	0.238*	0.089	0.077	0.330**	0.477**	0.591**	0.744**	0.614**	0.278**	1.000	
12	Support	137	0.074	0.299**	0.007	-0.190*	0.291**	0.427**	0.273**	0.347**	0.356**	0.273**	0.311**	1.000
13	% Women in Firm	137	0.217*	0.119	0.071	-0.263**	0.096	0.193*	-0.023	0.046	0.042	-0.018	0.076	0.198*
14	% Minorities in Firm	132	0.162	-0.086	-0.250*	0.042	0.001	0.059	-0.037	-0.070	0.089	0.133	-0.012	0.043
15	% Women New Hires	108	0.153	0.119	0.009	-0.257*	0.015	0.093	-0.114	-0.091	-0.091	0.006	-.041	0.112
16	% Minorities New Hires	105	0.165	-0.141	-0.157	0.007	-0.086	0.063	-0.050	-0.091	0.073	0.216*	0.074	0.022
17	% Women in Management	132	-0.036	0.346**	0.312**	-0.332**	0.210*	0.247**	-0.036	0.226**	0.036	0.015	0.185*	0.163*
18	% Minorities in Management	120	-0.026	-0.064	-0.059	-0.005	0.096	0.202*	0.058	0.122	0.192*	0.173*	0.126	0.054
19	% Women Executives	108	-0.102	0.042	0.322**	-0.222*	0.143	0.211*	0.049	0.264**	0.101	-0.161	0.304**	0.092
20	% Minority Executives	94	0.074	-0.035	0.056	0.179	-0.042	0.088	0.035	0.032	0.099	0.098	0.207*	-0.130
21	% Women on Board	94	0.076	0.145	0.345**	-0.401**	0.272*	0.291**	0.031	0.217*	0.073	-0.044	0.110	0.209*
22	% Minorities on Board	77	0.148	0.101	0.184	0.157	0.109	0.277**	0.018	0.119	0.120	0.136	0.120	-0.090
23	% Women Top-50 Paid	107	0.077	0.036	0.195	-0.259*	0.163	0.220*	-0.143	0.165*	-0.056	-0.020	0.108	0.164
24	% Minorities Top-50 Paid	102	0.081	-0.124	-0.264*	0.049	0.209	0.172*	-0.023	-0.003	0.144	0.146	0.085	0.176*

***p< .01 (one-tailed), *p<.05 (one-tailed)*

Table 5.3: Correlations Matrix for the Adoption of Diversity Management and Employment Outcomes for Women and Minorities (Continued)

		13	14	15	16	17	18	19	20	21	22	23	24
13	% Women in Firm	1.000											
14	% Minorities in Firm	0.022	1.000										
15	% Women New Hires	0.729**	0.089	1.000									
16	% Minorities New Hires	0.023	0.873**	0.093	1.000								
17	% Women in Management	0.730**	-0.038	0.653**	-0.055	1.000							
18	% Minorities in Management	0.079	0.474**	0.148	0.416**	0.149	1.000						
19	% Women Executives	0.305**	-0.127	0.132	-0.174	0.440**	0.077	1.000					
20	% Minority Executives	0.104	0.243**	0.099	0.126	0.157	0.370**	0.275**	1.000				
21	% Women on Board	0.383**	-0.043	0.280**	-0.147	0.452**	0.181	0.639**	0.166	1.000			
22	% Minorities on Board	0.028	0.386**	0.028	0.215*	0.101	0.749**	0.299**	0.769**	0.209*	1.000		
23	% Women Top-50 Paid	0.579**	0.003	0.467**	0.019	0.636**	0.145	0.469**	0.187*	0.510**	0.289**	1.000	
24	% Minorities Top-50 Paid	0.046	0.615**	0.115	0.459**	0.045	0.797**	0.022	0.300**	0.200*	0.492*	0.198*	1.000

***p< .01 (one-tailed), *p<.05 (one-tailed)*

were highly correlated, with the exception of several of Rokeach's value constructs which were driven by theory. Inter-correlations among the dependent variables (e.g. employment of women) were not considered to be a problem in multiple regression analysis (Kahane, 2001).

Tables 5.4 to 5.5 present the results of the regression analyses for testing the main effects of CEOs' demographics and psychological attributes in predicting their commitment to diversity. Separate analyses were also performed for each dimension of organizational diversity performance. First, the selected dependent variables were regressed on the selected independent variables using the forced entry method. This method enters all the specified independent variables into the equation at once, and is therefore appropriate in determining the contribution of the whole model in predicting CEOs' commitment. Demographic and psychological attribute variables were therefore entered simultaneously to assess their total contribution to CEOs' commitment to diversity and their commitment as perceived by HR executives. Industry, firm size, unionization, and globalization were also entered, prior to other variables, into the model as control variables.

Next, hierarchical regression analysis was conducted, and the results are presented in Table 5.5. Hierarchical regression is used as an alternative procedure to comparing beta weights for assessing the importance of the independent variables (Garson, 2004). For example, F-tests are used to compute the significance of each added variable (or blocks of variables) to the explanation reflected in R^2. Table 5.5 shows the results of hierarchical regression analyses in which 2 blocks of predictors were regressed on CEOs' commitment to diversity and the perceptions of their commitment. Based on previous work on predicting leadership behaviours, the first block of predictors chosen were CEOs' demographic variables (N = 6). They included age, gender, minority status, tenure, education, and functional background. The second block (N = 10) consisted of the CEOs' psychological attributes such as being other and self-regarding, Rokeach's values, cognition of diversity, and leadership styles. When a block of predictors accounted for a significant amount or increment in explained variance on a given dependent variable, individual predictors within these blocks which had significant and independent relationships with the dependent variable were identified. The analysis also was repeated only with variables with significant or near significant effects, but there was no difference in the results.

5.3.1 Predictors of CEOs' Commitment and Perceived Commitment

The results in Table 5.4 indicated that only positive cognition of diversity emerged as a predictor of CEOs' commitment to diversity ($\beta = .608$, $p < .001$), after controlling for industry, firm size, the presence of unions, and globalization. None of CEOs' demographic characteristics were significant predictors of commitment to diversity. In addition, CEOs' values, regard for self and others, and leadership styles did not appear to be significant predictors of CEOs' commitment. When perceptions of commitment were measured, social values ($\beta = .442$, $p < .05$) and transactional leadership ($\beta = .244$, $p < .05$) did emerged as significant predictors of perceptions of CEOs' commitment (see Table 5.4), thus supporting hypotheses 1 (h) and 1 (j).

Table 5.4: Results of Regression Analyses for CEOs' Commitment to Diversity and Perceived Commitment to Diversity

	Commitment		Perceived Commitment	
	β	s.e.	β	s.e.
Demographic Predictors				
Age	.029	.178	-.215	.036
Gender	.057	5.651	.034	1.190
Minority Status	-.012	11.844	-.069	2.450
Tenure	.204	.134	-.036	.028
Education	-.150	1.688	-.107	.334
Functional Background	-.013	2.643	.198	.570
Psychological Attribute Predictors				
Other-regarding	.215	.644	-.190	.124
Self-regarding	-.080	1.043	.011	.214
Personal Values	-.143	.427	-.266	.090
Social Values	-.036	.613	.442*	.128
Competence Values	-.172	.510	.069	.107
Moral Values	.046	.658	-.093	.136
Positive Cognition	.608***	.352	.213	.074
Negative Cognition	.132	.393	-.013	.084
Transactional Leadership	-.160	.488	.244*	.104
Transformational Leadership	.057	.391	.081	.080
Control Variables				
Industry	.200	.746	-.160	.155
Firm Size	.095	.000	.162	.000
Union	.306*	3.036	.116	.633
Globalization	.006	.039	.159	.159
R^2	.562**		.471*	

N ranges from 124 to 140 for CEO responses and from 77 to 155 for HR executive responses

* p < .05, **p < .01, ***p < .001

However, transformational leaders were expected to be more committed to diversity than transactional leaders, thus the finding was in the opposite direction of hypothesis 1 (j).

In addition, the results in Table 5.5 revealed that CEOs' demographic characteristics failed to explain significant amounts of variance in their commitment to diversity ($R^2 = .125$, n.s.), or in the perceptions of their commitment to diversity ($R^2 = .099$, n.s.). Instead, CEOs' psychological attributes accounted for significant increments in explained variance on both CEOs' self-reported commitment to diversity ($\Delta R^2 = .412$, $p < .001$), and perceptions of that commitment reported by HR executives ($\Delta R^2 = .325$, $p < .05$), thus supporting hypothesis 2b but not 2a. CEOs who reported more positive cognition of diversity also indicated greater commitment to workforce diversity ($\beta = .696$, $p < .001$), while those scoring high on social values were also perceived as more committed to diversity ($\beta = .640$, $p < .001$).

In sum, positive cognition of diversity emerged as a significant predictor of CEOs' commitment, while social values and transactional leadership emerged as significant predictors of perceived commitment to diversity. CEOs' demographic characteristics did not appear to be significant predictors, likely due to the small number of women and minority CEOs sampled in this study.

Table 5.5: Results of Hierarchical Regression Analyses for CEOs' Commitment and Perceived Commitment to Diversity

	R	R^2	ΔR^2	ΔF	β	s.e.	P
<u>CEOs' Commitment</u>							
Demographics	.354	.125	.125	1.411			n.s.
Psychological Attributes	.733	.538	.412	4.369			.000
Positive Cognition*					.696	.303	.000
<u>Perception of CEOs' Commitment</u>							
Demographics	.315	.099	.099	1.121			n.s.
Psychological Attributes	.651	.424	.325	2.881			.011
Social Values*					.640	.117	.001

*Only significant βs are identified and reported

N ranges from 124 to 140 for CEO responses and from 77 to 155 for HR executive responses

5.3.2 Predictors of Organizational Diversity Performance

Tables 5.6 to 5.9 show the results of regression analyses using CEOs' commitment and perceived commitment in predicting several measures of diversity management. Results from Table 5.6 suggest that CEOs' commitment to diversity was significant in predicting 3 out of 6 measures of diversity management. They included organizational diversity policy ($\beta = .279$, $p < .01$), targeted recruitment ($\beta = .132$, $p < .001$), and holding management accountable for diversity goals ($\beta = .355$, $p < .01$). However, CEOs' perceived commitment appears to be a stronger predictor of organizational diversity performance. Specifically, perceptions of CEOs' commitment significantly predicted all 6 measures of diversity management, consisting of organizational policy ($\beta = .324$, $p < .01$), targeted recruiting ($\beta = .132$, $p < .01$), training and development ($\beta = .448$, $p < .001$), examining compensation for equal pay ($\beta = .541$, $p < .001$), holding management accountable ($\beta = .382$, $p < .01$), and supporting diversity in the community ($\beta = .265$, $p < .05$).

The results suggested that perceptions of CEOs' commitment appeared to be a stronger predictor in the adoption of diversity management, than CEOs' self-reported commitment. In order to test this assumption, two competing models of prediction were created using CEOs' self-reported commitment (model 1) and perceptions of their commitment (model 2). The results are presented in Table 5.7 and indicated that model 2 explained significantly more incremental variance (ΔR^2) in the prediction of diversity management practices. With the exception of having a diversity policy, perceptions of CEOs' commitment accounted for more incremental variance, than CEOs' self-reported

Table 5.6: Results of Regression Analyses for Predicting CEOs' Commitment to Implement Diversity Management

	Policy		Recruiting		Training		Compensation		Accountability		Support	
	β	s.e.	β	s.e.	β	s.e.	β	s.e.	β	s.e.	β	s.e.
Predictor Variables												
Commitment	.279**	.030	.132***	.030	.202	.022	.216	.034	.355**	.035	.199	.016
R^2	.313***		.327***		.210**		.101		.366***		.204*	
Perceived Commitment	.324**	.156	.370**	.157	.448***	.115	.541***	.180	.382**	.185	.265*	.087
R^2	.307***		.360***		.326***		.273***		.362***		.219**	
Control Variables												
Industry	-.368**	.145	-.347**	.146	-.106	.105	.174	.158	-.358**	.166	.178	.178
Firm Size	-.054	.000	-.098	.000	-.103	.000	-.326*	.000	-.046	.000	.220	.000
Union	.008	.562	.033	.572	.130	.417	-.005	.626	-.176	.661	-.159	.316
Globalization	.182	.009	.110	.110	.143	.007	.153	.011	.193	.011	-.136	.005

N ranges from 124 to 140 for CEO responses and from 77 to 155 for HR executive responses

*p < .05, **p < .01, ***p < .001

Table 5.7: Results of Hierarchical Regression Analyses for CEOs' Commitment (Model 1) vs. Perceptions of Commitment (Model 2) on Measures of Diversity Management

	R	R^2	ΔR^2	ΔF	P
Adoption of Diversity Management					
Policy					
Commitment	.365	.133	.133	11.691	.001
Perceived Commitment	.509	.260	.126	12.783	.000
Recruiting					
Commitment	.381	.145	.145	13.073	.001
Perceived Commitment	.603	.364	.218	26.078	.000
Training					
Commitment	.315	.099	.099	8.820	.004
Perceived Commitment	.553	.305	.206	23.424	.000
Compensation					
Commitment	.234	.055	.055	4.010	.049
Perceived Commitment	.356	.127	.072	5.584	.010
Accountability					
Commitment	.338	.114	.114	8.896	.004
Perceived Commitment	.577	.333	.219	22.354	.000
Support					
Commitment	.291	.085	.085	7.128	.009
Perceived Commitment	.423	.179	.095	8.760	.001

N ranges from 124 to 140 for CEO responses and from 77 to 155 for HR executive responses

commitment in all other areas, including targeted recruiting (22 percent vs. 15 percent for self-reported commitment), training (21 percent vs. 10 percent for self-reported), compensation (7 percent vs. 6 percent for self-reported), accountability (22 percent vs. 9 percent for self-reported), and supporting diversity (10 percent vs. 9 percent for self-reported).

Overall, the results indicated support for hypothesis 3a, finding CEOs' commitment (and perceived commitment) to be positively related to the adoption of diversity management. In addition, perceptions of CEOs' commitment appeared to be a stronger predictor of organizational diversity management than CEOs' self-reported commitment, significantly predicting all 6 measures of diversity management. The implications of this finding will be discussed in the Chapter 6.

5.3.3 Employment Outcomes for Women

Table 5.8 shows the results for the employment outcomes of women. CEOs' commitment did not appear to be a predictor of the employment outcomes for women. However, perceptions of CEOs' commitment predicted 4 out of 6 employment outcomes for women. They included the percentage of women in the organization ($\beta = .356$, $p < .05$), in management ($\beta = .415$, $p < .05$), and women on the board of directors ($\beta = .454$) approaching conventional levels of significance ($p < .10$). These results suggest that CEOs' commitment has a positive impact on the employment outcomes for women, thus providing some support for hypothesis 3b.

Table 5.8: Results of Regression Analyses for Predicting the Employment of Women

	Percent Women in Organization		Percent Women Among New Hires		Percent Women in Management		Percent Women Executives		Percent Women on Board		Percent Women Top-50 Paid	
	β	s.e.	β	s.e.	β	s.e.	β	s.e.	β	s.e.	β	s.e.
Predictor Variables												
Commitment	.034	.328	.166	.392	.145	.257	.054	.287	.039	.431	.039	.431
Perceived Commitment	.356**	1.887	.170	2.197	.415**	1.627	.062	1.911	.454*	2.676	.454*	2.676
Policy	-.135	1.699	-.044	2.031	-.270	1.323	-.132	1.305	-.115	1.719	-.115	1.719
Recruiting	.059	1.972	-.292	2.458	.330	1.649	.381	1.794	.306	2.249	.306	2.249
Training	.010	2.373	.013	3.011	-.127	1.866	-.014	2.085	-.093	2.447	-.093	2.447
Compensation	-.012	1.218	.032	1.380	.003	.980	-.187	.982	-.305	1.276	-.305	1.276
Accountability	-.261	1.740	-.093	2.127	-.253	1.365	.153	1.458	-.362	2.088	-.362	2.088
Support	.178	2.313	.170	2.647	.162	1.830	-.080	1.956	.179	2.734	.179	2.734
Control Variables												
Industry	.236	1.690	.279	2.458	.097	1.347	-.153	1.420	.287	1.951	.287	1.951
Firm Size	.199	.000	.264	.000	.403***	.000	-.018	.000	.150	.001	.150	.001
Unionization	-.074	6.222	-.141	8.395	.093	4.979	.020	5.560	.192	6.932	.192	6.932
Globalization	-.202*	.121	-.360	.153	-.254	.096	-.280	.102	-.569*	.117	-.569*	.117
R^2	.266		.315		.387*		.209		.291		.319	

N ranges from 124 to 140 for CEO responses and from 77 to 155 for HR executive responses

*p < .10, **p < .05, ***p < .01

Diversity management also failed to predict the majority of indicators for the employment of women, despite strong associations reported in the bivariate analyses.

In terms of environmental factors, firm size and globalization appeared to affect the employment outcomes for women. Specifically, firm size contributed to the percentage of women in management ($\beta = .403$, $p < .01$), while there is a trend (at $p < .10$) that globalization negatively affects the percentage of women in the firm ($\beta = -.202$), on the board ($\beta = -.569$), and among the top-50 paid employees ($\beta = -.340$).

Overall, the results suggest that CEOs' perceived commitment best predicted the employment outcomes for women. Firm size and globalization also affected some of the outcomes for women, albeit negatively (e.g. for globalization). The adoption of diversity management failed to significantly predict the outcomes of women although there were significant relationships from the bivariate analyses, likely due to the cross-sectional nature of the data and the role of the environment.

5.3.4 Employment Outcomes for Visible Minorities

Table 5.9 provides the results for the employment outcomes of visible minorities. CEOs' commitment was not a significant predictor of the employment of visible minorities, while perceptions of CEO's commitment predicted only a single outcome for minorities. However, several trends (at $p < .10$, unless otherwise indicated) were observed between certain diversity practices and outcomes for minorities. Specifically, targeted recruiting appears to negatively affect the percentage of minorities among new hires ($\beta = -.499$) and on the board ($\beta = -.541$). Examining compensation for equity ($\beta =$

Table 5.9: Results of Regression Analyses for Predicting the Employment of Visible Minorities

	Percent Minorities in Organization		Percent Minorities Among New Hires		Percent Minorities in Management		Percent Minority Executives		Percent Minorities on Board		Percent Minorities Top-50 Paid	
	β	s.e.	B	s.e.	β	s.e.	β	s.e.	β	s.e.	β	s.e.
Predictor Variables												
Commitment	-.043	.193	-.092	.253	.012	.183	-.027	.193	.081	.189	.071	.184
Perceived Commitment	.016	1.121	.013	1.471	.025	1.215	-.007	1.316	.421*	1.226	.177	1.162
Policy	-.019	.996	-.180	1.240	-.117	.936	.301	.886	.054	.716	-.067	.822
Recruiting	-.252	1.188	-.499*	1.675	.093	1.279	-.220	1.258	-.541*	.986	-.296	1.270
Training	-.204	1.390	-.050	2.016	.033	1.361	-.266	1.447	-.053	1.171	-.286	1.425
Compensation	.130	.722	.194	.945	.202	.722	.498**	.751	.200	.536	.327*	.631
Accountability	.201	1.056	.469	1.445	.256	1.031	.573*	1.048	.616*	.944	.408	1.006
Support	.144	1.370	.127	1.766	-.231	1.336	-.501**	1.360	-.178	1.166	-.086	1.268
Control Variables												
Industry	.317*	1.053	.361	1.779	.173	1.003	-.004	1.055	.071	1.000	.259	1.026
Firm Size	.023	.000	-.054	.000	-.005	.000	.013	.000	-.103	.000	.010	.000
Unionization	-.090	3.871	-.044	6.107	-.081	3.743	.130	4.428	.268	3.481	-.342*	4.050
Globalization	.161	.073	.031	.110	-.178	.070	.030	.073	.228	.056	-.079	.066
R^2	.080		.190		.139		.373**		.394**		.190	

N ranges from 124 to 140 for CEO responses and from 77 to 155 for HR executive responses

*p < .10, **p < .05, ***p < .01

.498, $p < .05$), holding management accountable ($\beta = .573$), and providing support to the community ($\beta = -.501$, $p < .05$) also affected the percentage of minority executives. Finally, holding management accountable for diversity goals have a positive impact ($\beta = .616$) on the percentage of minorities on the board.

In terms of environmental factors, there is a tendency ($p < .10$) for industry and unions to be related to the employment outcomes for minorities. Specifically, certain industries ($\beta = .317$) are related to the percentage of visible minorities in the organization, while the presence of unions ($\beta = -.342$) is negatively related to the percentage of minorities who are among the top-50 paid employees.

Overall, the results suggest that perceptions of CEOs' commitment, and several measures of diversity measurement have an effect on the employment outcomes for minorities, while industry and firm size also have a tendency to affect the employment outcomes for minorities.

5.3.5 Impact on Examining Compensation

When compensation was examined for equal pay, it uncovered a tendency ($p < .10$) for the percentage of women ($\beta = .110$) and visible minorities ($\beta = .327$) who are among the top-50 highest paid employees to increase. This suggests that examining compensation does have a positive impact on women and minorities achieving higher levels of compensation, although the finding is not significant at the .05 level.

5.3.6 Strategic Choice vs. Institutional Predictors in Explaining Organizational Diversity Performance

Results from Tables 5.6 to 5.9 show that environmental factors, entered as control variables, do affect organizational diversity performance. For example, certain industries were related to the presence of a diversity policy ($\beta = -.368$, $p < .01$), targeted recruitment ($\beta = -.347$, $p < .01$), and accountability ($\beta = -.358$, $p < .01$). Firm size ($\beta = -.326$, $p < .05$) also predicted the presence of a compensation policy. In addition, industry was related to the percentage of visible minorities ($\beta = .317$, $p < .10$), while firm size predicted the percentage of women in management ($\beta = .403$, $p < .01$). There is also a tendency ($p < .10$) for globalization to adversely affect women (βs = -.202, -.254, -569), while unionization adversely affected visible minorities ($\beta = -.342$).

When CEOs' commitment and perceptions of that commitment (strategic choice predictors) and environmental factors (institutional predictors) were entered as separate blocks into hierarchical regression analysis, the results indicated that the incremental contributions of the environmental variables in explaining diversity outcomes were lower than that of the strategic choice predictors. In other words, CEOs' commitment to diversity accounts for more incremental variance in the adoption of diversity management, thus supporting hypothesis 4a. The relative incremental contributions (see Table 5.10) in the variances explained in diversity management were $\Delta R^2 = .255$ (strategic choice) and $\Delta R^2 = .155$ (institutional) for policy; $\Delta R^2 = .325$ (strategic choice) and $\Delta R^2 = .125$ (institutional) for recruiting; $\Delta R^2 = .309$ (strategic

Table 5.10: Results of Hierarchical Regression Analyses for CEOs' Commitment (Strategic Choice) and Control (Institutional) Variables on the Adoption of Diversity Management

	R	R^2	ΔR^2	ΔF	P
Diversity Management					
Policy					
Strategic Choice	.505	.255	.255	10.953	.000
Institutional	.640	.410	.155	3.931	.000
Recruiting					
Strategic Choice	.570	.325	.325	15.613	.000
Institutional	.671	.450	.125	3.479	.000
Training					
Strategic Choice	.556	.309	.309	15.015	.000
Institutional	.047	.356	.047	1.138	.000
Compensation					
Strategic Choice	.432	.187	.187	6.650	.003
Institutional	.577	.333	.147	2.972	.001
Accountability					
Strategic Choice	.552	.305	.305	12.924	.000
Institutional	.688	.474	.169	4.414	.000
Support					
Strategic Choice	.404	.163	.163	6.348	.003
Institutional	.504	.254	.091	1.861	.005

N ranges from 124 to 140 for CEO responses and from 77 to 155 for HR executive responses

Table 5.11: Results of Hierarchical Regression Analyses for CEOs' Commitment (Strategic Choice) and Control (Institutional) Variables on the Employment of Women and Visible Minorities

	R	R^2	ΔR^2	ΔF	P
Employment Of Women					
Percentage in Firm					
Strategic Choice	.158	.025	.025	.878	n.s.
Institutional	.375	.140	.116	2.184	n.s.
Percentage New Hires					
Strategic Choice	.125	.016	.016	.402	n.s.
Institutional	.419	.176	.160	2.283	n.s.
Percentage in Management					
Strategic Choice	.303	.092	.092	3.285	.044
Institutional	.521	.271	.180	3.759	.003
Percentage Executives					
Strategic Choice	.182	.033	.033	.906	n.s.
Institutional	.376	.141	.108	1.544	n.s.
Percentage on Board					
Strategic Choice	.246	.060	.060	1.286	n.s.
Institutional	.464	.216	.155	1.783	n.s.
Percentage Top-50 Paid					
Strategic Choice	.194	.038	.038	1.016	n.s.
Institutional	.336	.113	.075	1.018	n.s.
Employment Of Visible Minorities					
Percentage in Firm					
Strategic Choice	.064	.004	.004	.132	n.s.
Institutional	.292	.085	.081	1.355	n.s.
Percentage New Hires					
Strategic Choice	.081	.007	.007	.163	n.s.
Institutional	.278	.077	.071	.862	n.s.
Percentage in Management					
Strategic Choice	.150	.022	.022	.641	n.s.
Institutional	.244	.060	.037	.515	n.s.
Percentage Executives					
Strategic Choice	.035	.001	.001	.027	n.s.
Institutional	.259	.067	.066	.685	n.s.
Percentage on Board					
Strategic Choice	.343	.118	.118	2.201	n.s.
Institutional	.482	.233	.115	1.087	n.s.
Percentage Top-50 Paid					
Strategic Choice	.249	.062	.062	1.592	n.s.
Institutional	.501	.251	.189	2.779	.039

N ranges from 124 to 140 for CEO responses and from 77 to 155 for HR executive responses

choice) and $\Delta R^2 = .047$ (institutional) for training; $\Delta R^2 = .187$ (strategic choice) and $\Delta R^2 = .147$ (institutional) for compensation; $\Delta R^2 = .305$ (strategic choice) and $\Delta R^2 = .169$ (institutional) for accountability; and $\Delta R^2 = .163$ (strategic choice) and $\Delta R^2 = .091$ (institutional) for support, all significantly different from zero. The order of entering the strategic choice and institutional variables was also varied and there was no difference in the results obtained. The findings concluded that CEOs' commitment (strategic choice) remained as the predominant predictor in the adoption of diversity management.

When hierarchical regression was repeated with the strategic choice and institutional predictors in explaining the variances in the employment outcomes for women and visible minorities, the predominant predictors were the institutional variables (see Tables 5.10 and 5.11). For example, the relative incremental contributions were $\Delta R^2 = .092$, $p < .05$ (strategic choice) and $\Delta R^2 = .180$, $p < .01$ (institutional) for women in management; and $\Delta R^2 = .062$, n.s. (strategic choice) and $\Delta R^2 = .189$, $p < .05$ (institutional) for visible minorities among the top-50 paid. Other prediction equations were also not found to be statistically significant. Thus, hypothesis 4b was not supported as the environment accounted for more incremental variance in the employment outcomes for women and minorities.

The results summarized in Tables 5.4 and 5.5 support the hypothesis that CEOs' psychological attributes, more than demographic characteristics, predicted their commitment towards diversity and perceptions of that commitment. The psychological attribute variables that were significant predictors of commitment were CEOs' positive cognition of diversity. Social values and transactional leadership also predicted CEOs' perceived commitment. Perceived commitment is important because it is a separate construct, and it was also more successful in predicting the adoption of diversity management than CEOs' self-reported commitment.

In addition, commitment to diversity and perceptions of commitment to diversity (strategic choice predictors) accounted for a larger proportion of the explained variance (range from 16 to 33 percent) in the adoption of diversity management than the environment (institutional predictors) (range from 5 to 17 percent). However, institutional variables accounted for more explained variance (range from 6 to 19 percent) in the employment of women and minorities than the strategic choice variables (from less than 1 to 12 percent). The adoption of diversity management did not predict a significant number of employment outcomes for women and minorities, likely due to the cross-sectional nature of the data. Overall, the results indicated that CEOs' commitment (strategic choice) has a positive impact on organizational diversity performance.

5.4 Summary

This chapter presented the descriptive and bivariate statistics, and results of the multivariate analyses of the data collected. The results suggest that, among a sample of organizations covered under federal employment equity programs, the adoption of diversity management is largely based on the strategic choice exercised by CEOs.

It is noteworthy that CEOs' self-reported commitment and perceived commitment are separate constructs, and the latter more successfully predicted the adoption of diversity management. Results of regression analyses also indicate that

CEOs' positive cognition of diversity is the best predictor of commitment, while social values and transactional leadership are the best predictors of perceptions of commitment.

The results also show that diversity management does not significantly predict a large number of employment outcomes for women and visible minorities. Some of these outcomes can be attributed to the institutional variables such as firm size, the presence of unions, and globalization. These results will be further discussed in the next chapter.

CHAPTER 6

DISCUSSIONS AND CONCLUSION

This study investigated the factors that influence the adoption of diversity management among a sample of organizations covered under federal employment equity programs, and the relative contributions of the selected strategic choice and institutional variables in explaining such adoption. This final chapter begins with a summary of the results of this investigation, and proceeds with a discussion of the findings. It closes with a discussion of the contributions and limitations of the study, and offers recommendations for future research and policy development.

6.1 Summary of the Results

The research model proposed in this study hypothesized that although there are strong institutional pressures on organizations to implement employment equity, organizational decision makers exercise strategic choice to respond to these pressures. The results obtained from a sample of organizations covered under federal employment equity programs indicate that CEOs' commitment (and perceived commitment) account for a larger proportion of the explained variance in the adoption of diversity management than the environment (industry, firm size, union, and globalization).

CEOs' positive cognition of diversity emerged as the strongest predictor of commitment towards diversity, while social values and transactional leadership emerged as predictors of perceived commitment. CEOs' demographic characteristics did not emerge as significant predictors. In terms of environmental factors, only the presence of unions appeared to have an effect on CEOs' commitment.

For the purpose of this study, organizational diversity performance was conceptualized as having two dimensions: the adoption of diversity management and the employment of designated groups. Adoption of diversity management was operationalized as the number of human resource management practices, procedures, programs, and systems related to workforce diversity. Employment of designated groups was operationalized as the numerical representation (percentage) of women and visible minorities at various levels of the organizational hierarchy.

The results show that both CEOs' commitment, and environmental factors can predict the adoption of diversity management. However, CEOs' commitment and perceived commitment were stronger predictors of diversity management. Among the environmental factors, only industry and firm size predicted some of the measures of diversity management. Commitment and perceived commitment also accounted for a larger proportion of the explained variance in the adoption of diversity management than the environmental factors.

The adoption of diversity management is related to some measures of the employment of women and minorities, although it did not prove to be a significant predictor. CEOs' commitment and the environmental factors also did not predict a significant number of outcomes for women and minorities, although they accounted for small amounts of explained variance. The next section discusses these findings.

6.2 Discussion of Findings

In general, findings from this research support the strategic choice view that variation in the adoption and adoption of diversity management is a result of organizational decision makers exercising their own free will. Results from the data collected indicate that the degree of adoption, operationalized in terms of the number of diversity practices, is positively and significantly associated with CEOs' commitment and perceived commitment. Two sets of predictors were hypothesized to predict CEOs' commitment to diversity, and each of them is discussed below.

6.2.1 CEOs' Demographics Characteristics

CEOs' demographics characteristics failed to explain a significant amount of variance in their commitment to diversity. Only age and minority status were associated with CEOs' commitment to diversity. Gender, tenure, education level, and functional background were also not found to be associated with commitment.

Although previous research has found demographic variables to be useful predictors (Hambrick et al., 1993; Wiersema & Bantel, 1992), they were not found to be significant in this study. Gender and minority status effects, the two most anticipated variables were not significant, likely because of the small number of female and minority CEOs in the sample. There is also growing awareness of the shortcomings in using demographic predictors (Lawrence, 1997) and a move to differentiate between surface-level characteristics and deep-level attributes (Harrison, Price, & Bell, 1998). More recent research has focused on values, beliefs, and attitudes in support of workplace diversity. For example, Ng and Burke (2004) found cultural values to be related with attitudes towards equality, while Chen and Hooijberg (2000) found ambiguity tolerance to be associated with valuing diversity intervention.

Although demographic characteristics were not significant predictors, an explanation is offered on the significant associations (correlations) observed. First, age was positively correlated with commitment to diversity, which was opposite of prediction. A number of possible reasons explain why executives who were older were more committed to diversity. First, the CEOs in this sample were highly educated with over 88 percent having attended university. Previous research (Federico & Sidanius, 2002) has shown that education is associated with tolerance and less racial prejudice. Second, CEOs may no longer see the entry of women and minorities as a threat to their personal careers, as they have already reached the top office. This is in contrast with younger, White males who may harbor negative attitudes towards diversity for fear of being passed over because of employment equity or affirmative action policies (Burke & Black, 1997; Chen & Kleiner, 1996). Third, organizational leaders may also be committed to workplace diversity as a result of personal needs (Wiener, 1982). These may include impression management, such as gaining legitimacy and trust, or leaving a positive image and legacy behind (Chemers & Murphy, 1995). Arguments in support of a positive relationship between age and commitment to diversity are also found in George and Yancey (2004).

In addition to age, CEOs' minority status was also positively associated with support for diversity. This finding is consistent with the ethnic identification view and in-group favouritism proposed in Chapter 3. Individuals generalize their personal experience (e.g., of discrimination) at the group level, which results in collective interest in equal opportunities (cf. Tougas, Beaton, & Veilleux, 1991). This view is also supported by the results in Beaton and Tougas (2001) and Kravitz and Platania (1993). Specifically, Beaton and Tougas (2001) found women endorsed affirmative action more than men, while Kravitz and Platania (1993) found Blacks and Hispanics had more positive attitudes toward affirmative action than Whites. In this study, minority status was also negatively associated with negative cognitions of diversity suggesting minority executives are least likely to view diversity management as a strategic burden.

6.2.2 CEOs' Psychological Attributes

Few studies (Chen & Hooijberg, 2000) have empirically linked the effects of CEOs' psychological or psychological attributes to diversity in the workplace. This study found that CEOs' psychological attributes vis à vis demographic characteristics contributed to the predictive model in the adoption of diversity management. CEOs' psychological attributes also accounted for a larger proportion of the explained variance in CEOs' commitment and perceived commitment to diversity than demographic characteristics.

Cognition of diversity, being other and self-regarding, and personal, social, competence, and moral values were all related to CEOs' commitment. In addition, positive cognition of diversity and leadership styles were also related to perceived commitment. Positive cognition of diversity also significantly predicted CEOs' commitment, while social values and transactional leadership style predicted perceived commitment to diversity.

CEOs who viewed diversity as a strategic opportunity indicated higher commitment, while those who viewed diversity as a strategic burden indicated less commitment. This finding supports the cognitive categorization hypothesis that once an issue has been categorized as a strategic opportunity or gain, organizational decision makers are more likely to be committed and motivated to pursue the issue strategically (Dutton & Jackson, 1987; Thomas et al., 1993). Positive cognition of diversity also emerged as a predictor of CEOs' commitment, while moral and social values were positively associated with, but failed to predict commitment to diversity. This suggests that although normative reasons (such as doing the right thing) are associated with positive attitudes toward diversity, it is ultimately the instrumental, calculative, and utilitarian reasons that motivate CEOs and organizations to implement diversity management. Previous studies on workforce diversity (e.g. Richard, 2000; Watson et al., 1993) have documented the link between workforce diversity and positive firm outcomes.

Support for diversity was also found among CEOs who held more regard for the employees than for themselves. This is consistent with the only study conducted on CEOs' other and self-regard. Agle and colleagues (1999) reported significant effects for employee salience (other-regarding) in predicting corporate social responsibility. In this study, CEOs scoring high on self-regarding also indicated less commitment. This finding concluded that CEOs who were more concerned about the welfare of others were also more committed to diversity.

CEOs' personal, social, competence, and moral values were all related to commitment to diversity, although social and moral values indicate stronger relationships with commitment to diversity than personal and competence values. These results were in line with predictions, although no relationship was expected between personal and competence values and commitment. Social values included such items as "peace" and "equality," while moral values included "helpful," "loving," and "polite." These value items tend to link the individual to society, and indicate the importance of and concern about the interaction the individual has with others (Hood, 2003). Thus, they are most related to issues of diversity, such as civil rights and anti-discrimination as proposed by Rokeach. Personal and competence values contained items such as "self-respect," "true friendship," and "intellectual." Both of these values are focused on the individual rather than on the interaction with others (Hood, 2003), and are thus less likely to be linked to diversity. Social values also emerged as a significant predictor of perceived commitment to diversity, lending further support to Rokeach's (1973) conceptualization of "equality."

In addition, both transformational and transactional leadership were found to be related to commitment, although contrary to prediction, the relationship was stronger for transactional leaders. Transactional leadership, but not transformational leadership, also emerged as a significant predictor of perceived commitment. Transformational leadership was conceptualized as appealing to higher moral grounds, and inspiring others to follow, while transactional leadership was conceived as more instrumental and utilitarian, where leaders motivate followers with mutual exchanges (Burns, 1978; Kanungo, 2001). Transactional leaders were more focused on setting goals, and establishing clear links between performance and rewards (Bass, 1985), and thus were more likely to lead followers to believe they were committed to diversity. For example, Jung & Avolio (1999) found that transactional leaders, more than transformational leaders, were able to elicit higher performance in individualistic societies.

In addition, earlier findings in this study have linked CEOs' commitment to cognition of diversity as potential gains, thus it is entirely consistent for transactional leaders to be perceived as more committed to diversity for utilitarian reasons. In addition, CEOs in this sample were from organizations covered under federal employment equity programs, and were required by law to comply with employment equity directives. As a result, transactional leaders may simply follow legal prescription to avoid punishment for non-compliance, and thus be perceived as more committed to diversity. For example, Hood (2003) found transactional leaders accounted for a significantly larger proportion of the variance in diversity training, than transformational leaders.

Overall, the findings underscore the importance of a leader's psychological attributes, particularly their values, cognition of diversity, and leadership styles in effecting organizational change to promote workplace diversity.

6.2.3 Commitment and Perceived Commitment to Diversity

An important finding of this study is the distinction between CEOs' self-reported commitment and perceived commitment to diversity. Literature in marketing has made the distinction between commitment and perceived commitment in building channel relationships (Anderson & Weitz, 1992) and in eliciting employee performance (Babakus, Yavas, Katatepe, & Avci, 2003). Research has also shown that an individual's commitment to Total Quality Management (TQM) and its success are based upon perceptions of senior management's commitment (Taylor & Wright, 2003). Perceived commitment may signal to organizational members management's vision, philosophy, and priorities, and although commitment is conceptualized from management's perspective, it should be measured from employees' perspective (Forrester, 2000; cf. Babakus et al., 2003).

The difference between CEOs' self-reported commitment and perceptions of that commitment reported by HR executives could be a result of miscommunication. Miscommunication arises when the message intended by the sender fails to resemble the message perceived by the receiver. Research has shown that about half the messages received by subordinates were not the same as the messages sent by superiors (cf. Kikoski, 1993). The gap between intention and perception can stem from different fields of experience by the sender and receiver, including the meanings, interpretations assigned to specific words, and the encoding-decoding of messages on either side (Howell, 1982; Ronen, 1986). There is growing awareness among researchers on perceptual differences in superior-subordinate communication, particularly in job evaluations and performance ratings (Chiu, Lai, & Snape, 2004; Smircich & Chesser, 1981), rewards and punishments (Hinkin & Schriesheim, 1994), and leader-member exchange (Yrle, Hartman, & Galle, 2003).

The distinction between CEOs' commitment and perceived commitment is particularly noteworthy in this study. Commitment predicted 3 out of 6 measures of diversity management, while perceived commitment predicted all 6 measures of diversity management, and 4 out of 6 measures in the employment outcomes for women. This finding suggests that although CEOs are committed to diversity, it is the perceptions of their commitment that signal to organizational members management's intention to implement diversity in the workplace.

6.2.4 Environmental Factors

Industry, firm size, unionization, and globalization also played a role in organizational responsiveness to diversity, particularly in CEOs' commitment and in the employment outcomes for women and minorities. First, CEOs of union firms appeared to be more committed to diversity. This finding is consistent with previous research which found an association between unions and management response (Ng & Maki, 1994). For example, Brown (1991) advocated that both unions and employers must involve top decision makers in the process of establishing and implementing employment equity programs.

Firm size and globalization also appear to be related to the employment outcomes for women. Women benefit most from larger organizations. Jain and Lawler (2004) advanced that larger organizations are more visible to public and government regulators, and thus may be more inclined to pursue more aggressive employment equity efforts to avoid negative publicity. Larger organizations also have more slack resources to address employment equity objectives, which contributed to the greater representation of women. It is also likely that larger organizations experience more turnover, which allows them to make employment adjustments more easily (Jain & Lawler, 2004). On the other hand, globalization appears to have a negative effect on employment opportunities for women. Although research has shown increasing efforts to develop female managers (Adler, Brody, & Osland, 2000), the prevalence of negative attitudes toward women continue to result in a lack of organizational support, and a selection bias against women expatriates (Adler, 1984; Harris, 2002; Paik & Vance, 2002). The lack of acceptance of women managers (e.g. in Japan or the middle east) has led to fewer women in international careers (Adler, 1987), and thus explains the negative relationship between globalization and women reported here.

Industry type and unions also affected the employment of outcomes for minorities. Specifically, minorities employed in certain industries (e.g., those covered under employment equity) appear to benefit most in employment. For example, Jain and Hackett (1992) found employment equity organizations were more likely to provide recruiter training, monitor staffing practices, and neutralize language documents, than non-employment equity organizations, thus leading to more positive employment outcomes for minorities. The presence of unions however, appeared to hinder the compensation of minorities. Specifically, the presence of unions was related to fewer minorities achieving top compensation levels. This is likely because many minorities, being recent immigrants, are low on seniority-based compensation systems found in a union environment, and thus were not likely to be among the top earners. Other studies have similarly found seniority-based practices to be detrimental to designated groups (Singh & Reid, 1998).

Overall, environment factors did account for more incremental variance than strategic choice factors in the employment outcomes for women and minorities.

6.2.5 Organizational Diversity Performance

The results show that CEOs' commitment and perceived commitment are significantly correlated with the adoption of diversity management. Commitment predicted 3 out of 6 measures of diversity management, while perceived commitment predicted 6 out of 6 measures of diversity management. Commitment and perceived commitment also predicted some outcome measures in the employment of women and visible minorities. Taken together, this suggests that CEOs' commitment and perceived commitment have a significant effect on organizational diversity performance. Commitment and perceived commitment (strategic choice) also accounted for more incremental variance in the adoption of diversity management than the environment (institutional variables).

However, the adoption and implementation of diversity management failed to predict a significant number of outcomes in the employment of women and minorities, although they were correlated. For example, none of the diversity management measures predicted the employment of women, while only compensation, accountability, and supporting diversity in the community predicted the percentage of minority executives on the board, and those who were among the top-50 paid employees. The failure to find a significant number of predictions between diversity practices and outcomes could be due to the cross-sectional nature of the data. Furthermore, environmental factors accounted for more significant variances in the employment outcomes for women and minorities, than strategic choice predictors. Thus, the failure of diversity management to predict a significant number of employment outcomes for women and minorities could be due in part to the cross-sectional nature of the data, and in part to the environment (institutional variables).

Overall, the research model assumed to predict the adoption of diversity management was largely supported by the results obtained. CEOs' commitment and perceived commitment (strategic choice) accounted for more explained variance in organizational diversity performance than the environment (institutional pressures), with CEOs' psychological attributes emerging as significant predictors of CEOs' commitment. They are CEOs' positive cognition of diversity, social values, and transactional leadership style.

The adoption and implementation of diversity practices did not account for a significant number of outcomes in the employment of women and minorities, due in part to the cross-sectional nature of the data, and in part to environmental pressures. This will be discussed in the limitations section.

6.3 Contributions

This study is among the first to empirically examine CEOs' commitment to diversity. Therefore, it will serve as a useful guide for future research, and provide practical implications for organizational change efforts in the adoption and implementation of employment equity and diversity initiatives. For example, this research has determined that CEOs' psychological attributes, such as cognitions of diversity, predict commitment to diversity more than demographic characteristics. In addition, this research has also uncovered the distinction between CEOs' commitment and perceived commitment, and found that perceived commitment is a better predictor of the adoption of diversity management.

This research has provided empirical support to account for the variation in the adoption of employment equity policies and practices. In general, the evidence supports the study's main assertion that strategic choice factors impact the adoption of diversity management. Although CEOs' commitment did not fully predict the employment outcomes of women and minorities, likely due to cross-sectional data and the environment, there was evidence indicating that their commitment to diversity has a significant effect on the adoption of diversity management. Moreover, the differences in the adoption of diversity policies and practices suggest that CEOs exercise strategic choice in the way they respond to institutional pressures to implement employment equity. This research has also uncovered the predominant roles of the leaders' cognition of diversity, social values, and transactional leadership style as antecedents of CEOs' commitment to implement diversity management in the workplace.

In summary, this study has increased our understanding of the extent to which CEOs' psychological attributes explain the strategic choices they exercise in responding to institutional pressures to implement employment equity. By including CEOs' psychological attributes in the research model, this study has gone beyond an individual's surface level characteristics, such as gender and ethnicity, to help explain the behaviour being observed. In addition, this research has uncovered the difference between CEOs' commitment and perceived commitment to diversity, and demonstrated the value of perceived commitment in predicting organizational outcomes. This study has also confirmed the role of strategic choice in explaining the variance in the adoption of diversity management and organizational diversity performance. By showing the predominance of strategic choice factors in the adoption of diversity management, it has demonstrated that organizational diversity efforts must receive the support of CEOs, as institutional pressures and the environment are limited in determining organizational diversity outcomes.

6.4 Limitations

Despite some interesting and important contributions to our understanding of organizational diversity issues, the findings of this research should be interpreted with caution. The following describes the limitations inherent in this research.

6.4.1 Sample

Based on previous research involving CEOs, and on an emotionally sensitive issue of diversity in the workplace, the sample size and response rate obtained in this study is considered to be acceptable, and as high as can be expected. However, the moderate response rate may raise the question of how well the sample represented the organizations covered under federal employment equity programs, and the extent to which the findings can be generalized to organizations. It is possible that those who responded may have perceived themselves as satisfactory in the performance of diversity. However, results of the survey indicated that 53.1 percent of the CEOs who responded revealed they were less committed to diversity, giving no evidence of social desirability effects. Thus, there was no indication that respondents who were more committed to diversity, were also more likely to respond to the study.

A second concern of the moderate sample size is that it may not have adequate statistical power. Statistical power decreases as the significance level is decreased (i.e. as the test is made more stringent), and increases as sample size increases (Saks et al., 1999). Consequently, a non-significant p-value may be observed when there is a lack of power. In addition, as sample size decreases, variability in the parameter estimates (e.g. reliability coefficients) increases across samples (Gerhart, Wright, McMahan, & Snell, 2000). However, sample size does not influence the expected value (i.e. the level) of the parameter, and thus does not result in bias. A recent study (Gerhart et al., 2000) published in *Personnel Psychology* examined the relationship between human resource practices and firm performance, and the sample size was comprised of 44 HR executive respondents from 12 firms. The sample is much smaller in size than the one used in this research (395 respondents from 196 organizations), and thus the issue of sample size should not be of concern here.

6.4.2 Cross-Sectional Data

The data for this study is cross-sectional in nature as they were collected at a single point in time. This can raise a concern that the positive correlations observed between the adoption of diversity management and the employment outcomes for women and minorities may be overstated. Although the percentages of women and minorities are theoretically linked to the adoption of diversity policies, practices, and systems by a firm, results from regression analysis in this study did not fully support a causal relationship. Indeed, Huselid and Becker (1996) has confirmed a lag time between the adoption of new HR strategies and their consequent effects on firm performance ("implementation to benefit lag") in a study involving 3,477 firms between 1992 to 1994. This suggests that the causal linkage between HR intervention (i.e. diversity management) and HR outcomes (the percentages of women and minority employed by a firm) would be stronger across time than at a single point in time. Thus, the associational relationships observed in this study are entirely plausible for the range of diversity practices in place in an organization, although the outcomes of women and minorities currently observed are likely due to the effects of diversity management previously put in place.

In addition, the results from hierarchical regression pointed to significant incremental variance in the employment of women and minorities explained by institutional pressures (the environment) in addition to strategic choice factors. Mighty (1996) found that school boards in Ontario developed employment equity policies as a result of the directives from the Ministry of Education, suggesting the institutional role of the external environment. The sample in this study was comprised of organizations covered under federal employment equity programs, thus it is expected that some of the explained variances in the adoption of diversity management are a result of institutional pressures.

6.4.3 Social Desirability Effects

Another limitation related to this study is the potential for social desirability effects. Cox (1990) pointed out that social desirability effects are inherent in research involving issues of race and ethnicity. Employers covered under the Legislated Employment Equity Program (LEEP) were faced with more stringent requirements (such as annual reporting of their workforce statistics), while federal contractors (FCP) were not. Thus, it is logical to assume that the employment outcomes for women and minorities would be more favourable for LEEP employers than for federal contractors. However, there was no statistical difference in the percentages of women and visible minorities reported by LEEP and FCP employers in this study. Although there was no evidence of social desirability effects in the LEEP sample as determined in Chapter 4, there was no way of verifying the information reported by FCP employers. Thus, the FCP self-reported figures could be open to social desirability effects and be upwardly bias. The results however do not negate the finding that variations in the adoption of diversity management is a result of the strategic choices made by CEOs.

6.5 Recommendations

6.5.1 Future Research

This study is one of the first to empirically examine CEOs' commitment to diversity. Thus, future research should seek to address the limitations discussed in the previous section and build upon the findings from this research.

First, future research should expand its population base to include organizations outside of federal employment equity programs. There already exists plenty of support for the relationship between compliance with employment equity programs and the employment of women and visible minorities (Agocs, 1991; Benimadhu & Wright, 1991; Jain, 1993; Jain & Lawler, 2004; Leck & Saunders, 1992; Stewart & Drakich, 1995). However, there is little empirical support for the relationship between voluntary adoption of diversity management and the employment outcomes for women and minority groups. Thus, the future research proposed here will address an important question as to whether organizations will choose to implement employment equity measures in the absence of institutional pressures. It may also raise an interesting possibility that even in the absence of government mandate, strategic choice factors alone, as demonstrated by the utilitarianism of CEOs' commitment in this research, may contribute to the employment outcomes of women and minorities.

Future research might seek to explore other antecedents in the adoption of employment equity and diversity. Since CEOs' commitment and the environmental (institutional) factors did not fully account for the explained variance in the adoption of diversity management, there exists other factors that may contribute to the diversity management. For example, other potential antecedents in the adoption of diversity management may include public vs. private organizations, provincially vs. federally regulated firms, size of the organization (i.e. by revenue rather than by the number of employees), and the composition and attitudes of the top management team towards diversity, and not just those of the CEOs.

Future research might also explore the relationship between the adoption of diversity management and the employment outcomes for women and minorities using a longitudinal design. As Huselid and Becker (1996) indicated, there is an implementation to benefit lag with any HR intervention programs. The findings are expected to establish the causal linkage between the adoption of diversity management and the outcomes for women and minority groups over a period of time.

Future research might also seek to refine and develop the distinction between commitment and perceived commitment, as it merits additional attention. CEOs' perceived commitment can be asymmetrical to their actual commitment. Perceptions of commitment are important because one party's action is based on the perceptions of the other party's commitment. For example, previous research has shown that employees' affective commitment and performance were related to top management's perceived commitment (Babakus et al., 2003). Future research may also benefit from the use of perceived commitment to prevent common method variance, and to improve the predictive value of CEOs' commitment.

6.5.2 Policy and Practice

The findings from this research suggest that CEOs are more likely to be committed to workplace diversity when they hold positive beliefs about diversity and the potential for organizational gains. Thus, in the absence of instrumental or utilitarian reasons, normative reasons alone, such as valuing equality, did not appear to contribute to increased diversity efforts in the workplace. This finding may have important implications for policy and practice. For example, government policies aimed at producing a more equitable workplace must be designed to take into account government agencies, non-governmental organizations, and organizations that are not profit-seeking, where workforce diversity may not be perceived to provide a strategic gain or a competitive advantage. Thus, there is a possibility that women and minority groups may find themselves excluded in certain organizations, industries, and professions as a result of being perceived to have little or no strategic value.

Another important finding of this study was that the employment of women was negatively associated with globalization of the firm. Although current employment equity policies include foreign subsidiaries operating in federally regulated industries in Canada, government policies should seek to implement employment equity among Canadian multinationals operating in foreign countries. This will ensure that Canadian firms do not unnecessarily exclude women when they are doing business abroad or operating outside of Canadian jurisdiction.

In addition, although environmental factors appear to play a role in the employment of women and minorities in this study, the role of employee representation or unions was not particularly salient. Jain, Verma, and Zinni (2003) reported that the lack of union involvement in employment equity was due in part to low union coverage among designated groups, and in part to union structures and the lack of resources devoted to employment equity issues. Thus, if employment equity policies advocate employer consultation with employee groups such as employer and employee consultation committees and unions, they should step up to the role of employee representation and their right to consultation under the *Employment Equity Act*. Unions can play a significant part in ensuring that employers implement employment equity measures even in the absence of potential gains from workforce diversity accruing to organizations.

6.6 Conclusion

This research sought to examine the role of strategic choice in explaining the variance in the adoption and implementation of employment equity policies and practices. Specifically, it explored the role of CEOs' characteristics and commitment in explaining the variation in the ways organizations choose to respond to the adoption of employment equity and diversity management. The research involved organizations covered under both the Legislated Employment Equity Program and the Federal Contractors Program. The findings indicate that CEOs who espouse social values (equality) hold positive beliefs about workforce diversity, and those who or demonstrate transactional leadership are also more committed to diversity. This study also uncovered the distinction between CEOs' commitment and perceived commitment, and found that perceived commitment is a better predictor of the adoption of diversity management. The results indicate that CEOs' commitment, more than the environment, explains the implementation of diversity initiatives, and thus demonstrates that organizational leaders can exercise strategic choice in the way they respond to institutional pressures.

Although there were limitations associated with sample size and the cross-sectional nature of the data, the results indicate that CEOs play an important role and contribute to overall organizational diversity performance. Future research should build upon the findings from this study, and policy makers should examine the impact of the instrumental arguments for workforce diversity, globalization, and the role of unions in promoting social justice and a more equitable workplace.

6.7 References

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APPENDIX 1

Review of Studies on Affirmative Action, Employment Equity, and Diversity

Study	Research Question	Finding
1. Effects of Affirmative Action		
Becker, Lauf, & Lowrey (1999)	Effects of AA practices	Race and ethnicity associated with lower levels of employment among journalism and mass communication graduates.
Bisping & Fain (2000)	Effects of AA practices	AA increased unemployment, and duration of unemployment of non-white males
Chay (1998)	Effects of EEOA of 1972	Blacks made employment gains (primarily in unskilled low paying jobs) and black-white earnings gap narrowed.
Edgar (2001)	Effects of EEO	Representation rates increased in employment for women, natives and people with disabilities in NZ
Hillman, Cannella, & Harris (2002)	Attributes of women and racial minorities in boardroom	Female and African American directors more likely to come from non-business background, hold advanced degrees, and join multiple boards faster than white males.
Holzer & Neumark (1999)	Are AA hires less qualified	Women and minorities hired under AA had lower educational qualifications, but no evidence of weaker job performance.
Holzer & Neumark (2000a, b)	Effects of AA practices	When AA used in recruiting, does not lead to lower credentials or performance; but when used in hiring, leads to lower credentials but not performance.
Ortega (1999)	Effects of AA practices	Hispanic and African American municipal administrators viewed AA helped their careers somewhat and saw discrimination in the workplace. Anglo Americans did not find AA to help, but

Study	Research Question	Finding
		did not report reverse discrimination.
Stanush, Arthur & Doverspike (1998)	Effects of AA practices	Hispanic and African Americans who were selected due to AA reported stigmatized or negative feelings
Tougas, Joly, Beaton, & St.-Pierre (1996)	Effects of AA practices	Beneficiaries of AA did not have react negatively towards AA.
2. Attitudes towards AA, discrimination		
Bell, Harrison, & McLaughlin (1997)	Attitudes towards Affirmative Action	Asian Americans have similar attitudes towards AA with Blacks and Hispanics, and experienced discrimination in employment.
Ensher, Grant-Vallone, & Donaldson (2001)	Effects of perceived discrimination	Perceptions of discrimination have an effect on organizational commitment, job satisfaction, and organizational citizenship behaviour.
Goldman (2001)	Predictors of discrimination claiming	Social guidance, perceptions of (procedural and distributive) justice, minority status, age, and tenure are related to discrimination claiming. Whites were also more likely than minorities to make claim .
Elvira & Town (2001)	Discrimination in employment practices	Black received lower performance ratings than blacks even after controlling for productivity.
Elvira & Zatzick (2002)	Discrimination in employment practices	Whites were less likely to be laid off than non-whites, and among non-whites, Asians are less likely to be laid off than Hispanics or blacks.
Gilbert & Stead (1999)	Perceptions of diversity	Women and racial minority hired under diversity management were viewed more positively than those hired under AA.
Heilman, Block, & Stathatos	Perceptions of AA	Women hired under AA were

Study	Research Question	Finding
(1997)		perceived to be less competent and were recommended smaller salary increases.
Hostager & De Meuse (2001)	Degree to which organizational members hold simple or complex views on workplace diversity	Managers had higher complexity than students with regard to positive judgments about diversity; managers more likely than employees to see workplace diversity as being good in principle
Highhouse, Stierwalt, Bachiochi, Elder, & Fisher (1999)	Effects of AA on employment attraction	African Americans more likely to apply when staffing policy was identity conscious (advertised AA)
Ibarra (1995)	Discrimination in employment practices	Minority managers had more racially heterogeneous and fewer intimate network relationships, and have less access to career benefits.
Lefkowitz (1994)	Discrimination in employment practices	New employees were assigned to supervisors of the same ethnic group in a large commercial bank.
Konrad & linnehan (1995a, b)	Perceptions of AA	White women and minorities expressed more positive attitudes towards identity conscious (i.e., AA) HRM interventions
Malos (2000)	Perception about fairness and effectiveness based on socioeconomic needs	Socioeconomic need perceived as fairer and more effective than race or gender for achieving diversity.
Mor Barak, Cherin, & Berkman (1998)	Perceptions of diversity	Women and minorities saw more value in, and felt more comfortable with diversity than Caucasian men.
Powell & Butterfield (1997, 2002)	Discrimination in employment practices	Applicants race did not directly affect promotion decisions, but when job related factors were considered (e.g. education, experience), race negatively affected promotion decisions.
Powell & Butterfield (2002)	Effects of diversity	Board composed of diverse members is more likely to

Study	Research Question	Finding
		recommend females but not African and Hispanic Americans for promotion.
Richard & Kirby (1997, 1999)	Reactions to diversity	African Americans hold more positive attitudes and more favorable opinions when diversity hiring and programs are justified (e.g. marketing, creativity)
Sanchez & Brock (1996)	Perceptions of discrimination	Perceived discrimination by Hispanic Americans adversely contributed to job satisfaction, organizational commitment, and work tension.
Saks, Leck & Saunders (1995)	Discrimination in employment practices	Job application blanks without discriminatory questions (age, gender, race, marital status) had more positive reactions on applicant attraction.
Stewart & Perlow (2001)	Discrimination in employment practices	Decision makers with negative attitudes towards blacks reported greater confidence to hire black applicants for lower level jobs, but not for higher level jobs.
Williams & Bauer (1994)	Perceptions of diversity	Students rated organizations with diversity management more attractively.
3. Effects of diversity		
Baugher, Varanelli, & Weisbord (2000)	Effects of diversity	Self-formed groups have less gender and ancestral diversity
Bond & Pyle (1998)	Resources (social ecological perspective) necessary to support workplace diversity	Case study: organizational history and tradition, power of informal organizational processes, and individual and organizational cultural values impact workplace diversity
Gomez-Mejia & Palich (1997)	Culturally related international diversification has a positive impact on firm performance.	Cultural diversity has no significant impact on firm performance.
Gudmundson & Hartenian (2000)	Effects of diversity	Small business owner's minority status (ethnicity, age, education, gender) significantly predicted firm's level of diversity

Study	Research Question	Finding
Hartenian & Gudmundson (2000)	Effects of diversity	Firms with more culturally diverse workforces reported greater positive change in financial measures.
Harrison, Price, & Bell (1998)	Effects of diversity	Length of time group members work together weakens surface level diversity and strengthens deep level diversity.
Jehn, Northcraft, & Neale (1999)	Effects of diversity	Distinguished between informational diversity, value diversity, and social category diversity positively influences group performance.
Ng & Tung (1998)	Effects of diversity	Culturally diverse bank branches reported lower absenteeism, higher productivity, and greater profits, but experienced lower job satisfaction, lower organizational commitment, lower workplace coherence, and higher turnover.
Pfeffer, Davis-Blake, & Julius (1995)	Effects of AA practices	Status of Chief Affirmative Action Officer affected the amount of change in racial and gender composition of senior administrator positions.
Richard (2000)	Effects of diversity	Cultural diversity contributed to firm performance in a growth environment.
Shrader, Blackburn, & Iles (1997)	Effects of diversity	Firms with higher proportion of women had higher financial performance; but firms with higher proportion in top management and board did not report higher financial performance.
Thomas & Bendixen (2000)	Effects of diversity	Employee race and cultural diversity did not adversely affect perceived management effectiveness.
Watson, Kumar, & Michaelsen (1993)	Effects of diversity	Culturally diverse groups were more effective in identifying problems and generating

Study	Research Question	Finding
		solutions than homogeneous groups over time.
Watson, Johnson, & Zgourides (2002)	Effects of diversity	Ethnically diverse teams performed higher on team project tasks over time.

APPENDIX 2

Cover Letter to CEO

McMaster University

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Hamilton, Ontario
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Phone 905.525.9140
Fax 905.521.8995
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January 2004

Dear Chief Executive

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I recognize that your time is very valuable, and I have a duty to communicate the results of the study to the business community. If you wish to receive a copy of the findings of this study, I am most willing to send you a copy if you return the enclosed card with your name and address. Thank you in advance for your cooperation.

Sincerely,

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Reminder Cover Letter to CEO

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CEO Questionnaire Survey

McMaster University

CEO QUESTIONNAIRE

Directions: This is a scientific study of value systems. There are no right or wrong answers. The best answer is your own personal opinion. Your Human Resources Executive has also been asked to complete a corresponding questionnaire. This study is intended to gather new scientific facts. In return for your cooperation, I would be happy to provide you with a copy of the findings from this study.

A. VALUE SURVEY

Below is a list of 36 values in alphabetical order. On a 6-point scale, please indicate the relative importance of these values to you.

	Not at all important					Very Important
A comfortable life (a prosperous life)	1	2	3	4	5	6
A sense of accomplishment (lasting contribution)	1	2	3	4	5	6
A world at peace (free of war and conflict)	1	2	3	4	5	6
A world of beauty (beauty of nature and the arts)	1	2	3	4	5	6
Ambitious (hard working, aspiring)	1	2	3	4	5	6
An exciting life (a stimulating, active life)	1	2	3	4	5	6
Broadminded (open-minded)	1	2	3	4	5	6

	Not at all important					Very Important
Capable (competent, effective)	1	2	3	4	5	6
Cheerful (light hearted, joyful)	1	2	3	4	5	6
Clean (neat, tidy)	1	2	3	4	5	6
Courageous (standing up to your beliefs)	1	2	3	4	5	6
Equality (brotherhood, equal opportunity for all)	1	2	3	4	5	6
Family security (taking care of loved ones)	1	2	3	4	5	6
Forgiving (willing to pardon others)	1	2	3	4	5	6
Freedom (independence, free choice)	1	2	3	4	5	6
Happiness (contentedness)	1	2	3	4	5	6
Helpful	1	2	3	4	5	6

	Not at all important					Very Important
(working for the welfare of others)						
Honest (sincere, truthful)	1	2	3	4	5	6
Imaginative (daring, creative)	1	2	3	4	5	6
Independent (self-reliant, self-sufficient)	1	2	3	4	5	6
Inner harmony (freedom from inner conflict)	1	2	3	4	5	6
Intellectual (intelligent, reflective)	1	2	3	4	5	6
Logical (consistent, rational)	1	2	3	4	5	6
Loving (affectionate, tender)	1	2	3	4	5	6
Mature love (sexual and spiritual intimacy)	1	2	3	4	5	6
National security (protection from attack)	1	2	3	4	5	6
Obedient (dutiful, respect)	1	2	3	4	5	6
Pleasure (an enjoyable, leisurely life)	1	2	3	4	5	6
Polite (courteous,	1	2	3	4	5	6

	Not at all important					Very Important
well-mannered)						
Responsible (dependable, reliable)	1	2	3	4	5	6
Salvation (saved, eternal life)	1	2	3	4	5	6
Self-controlled (restrained, self-disciplined)	1	2	3	4	5	6
Self-respect (self-esteem)	1	2	3	4	5	6
Social recognition (respect, admiration)	1	2	3	4	5	6
True friendship (close companionship)	1	2	3	4	5	6
Wisdom (a mature understanding of life)	1	2	3	4	5	6

B. WORKFORCE DIVERSITY

Please use a 6-point scale to indicate your level or agreement/disagreement with the statements below.

1. Canada's workforce demographic is changing and is becoming increasingly diverse.

1	2	3	4	5	6
Strongly Disagree					Strongly Agree

2. My organization has a track record of hiring and promoting employees regardless of their gender, ethnicity, age, or religion.

1	2	3	4	5	6
Strongly Disagree					Strongly Agree

3. I think diverse viewpoints add value.

1	2	3	4	5	6
Strongly Disagree					Strongly Agree

4. I believe cultural diversity enhances firm marketing success at home and abroad.

1	2	3	4	5	6
Strongly Disagree					Strongly Agree

5. I feel diversity contributes to innovation, creativity and better problem solving.

1	2	3	4	5	6
Strongly Disagree					Strongly Agree

6. I believe diversity is a strategic business issue.

1	2	3	4	5	6
Strongly Disagree					Strongly Agree

7. I believe it is important to be perceived as an employer of choice.

1	2	3	4	5	6
Strongly Disagree					Strongly Agree

8. I find employment equity restricts the freedom a business has for making decisions.

1	2	3	4	5	6
Strongly Disagree					Strongly Agree

9. Employment equity frequently takes a lot of time, effort, money and paperwork for companies.

1	2	3	4	5	6
Strongly Disagree					Strongly Agree

10. Employment equity frequently operates as a quota system for filling jobs.

1	2	3	4	5	6
Strongly Disagree					Strongly Agree

11. I frequently communicate about diversity with my employees.

1	2	3	4	5	6
Strongly Disagree					Strongly Agree

12. I frequently include diversity in public speeches.

1	2	3	4	5	6
Strongly Disagree					Strongly Agree

13. I promote training and development for women and minority employees.

1	2	3	4	5	6
Strongly Disagree					Strongly Agree

14. I reward efforts for diversity performance.

1	2	3	4	5	6
Strongly Disagree					Strongly Agree

15. I closely link compensation to diversity outcomes.

1	2	3	4	5	6
Strongly Disagree					Strongly Agree

16. I use outside diversity consultants.

1	2	3	4	5	6
Strongly Disagree					Strongly Agree

17. I am personally involved in diversity committees.

1	2	3	4	5	6
Strongly Disagree					Strongly Agree

18. I emphasize diversity in strategies.

1	2	3	4	5	6
Strongly Disagree					Strongly Agree

19. I set personal examples of my commitment to diversity.

1	2	3	4	5	6
Strongly Disagree					Strongly Agree

C. ORGANIZATIONAL PERFORMANCE

a) Consider the present state of your organization. Indicate the response that describes your feelings toward each item.

	Very Low 1	2	3	4	5	Very High 6
Productivity	1	2	3	4	5	6
Product/Service Quality	1	2	3	4	5	6
Operating Efficiency	1	2	3	4	5	6
Grievance Rate	1	2	3	4	5	6
Absenteeism Rate	1	2	3	4	5	6
Employee Morale	1	2	3	4	5	6
Employee Commitment to the Organization	1	2	3	4	5	6
Customer/Client Satisfaction	1	2	3	4	5	6
Employee Turnover	1	2	3	4	5	6
Employee Complaints	1	2	3	4	5	6
Profitability	1	2	3	4	5	6
Return on Equity	1	2	3	4	5	6
Market Share	1	2	3	4	5	6

b) Over the past 3 years, indicate the extent of change for the following items in your organization.

	Substantial Decrease 1	2	3	4	5	Substantial Increase 6
Productivity	1	2	3	4	5	6
Product/Service Quality	1	2	3	4	5	6
Operating Efficiency	1	2	3	4	5	6
Grievance Rate	1	2	3	4	5	6
Absenteeism Rate	1	2	3	4	5	6
Employee Morale	1	2	3	4	5	6
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Employee Complaints	1	2	3	4	5	6
Profitability	1	2	3	4	5	6
Return on Equity	1	2	3	4	5	6
Market Share	1	2	3	4	5	6

D. UNIONIZATION

1. Is your organization unionized?
   - ❑ If YES, please complete this section
   - ❑ If NO, please skip to PART 5
2. What percentage of your total workforce is unionized? __________ %
3. Which union represents the largest number of employees in your organization?

   ____

4. What is the largest group of employees unionized (e.g. mechanics)?

____

5. How long have your employees been represented by this union?
_________ years

6. How would you describe the nature of the relationship between your organization and the union?

1	2	3	4	5	6

Adversarial ... Cooperative

E. ORGANIZATIONAL CHARACTERISTICS

1. Estimate the number of employees in your organization:

Today	
Three years ago	

2. What is your organization's major product or service?

____

3. How long has your organization been in operation? _________ years

4. Is you establishment Canadian or foreign owned?

 - ❑ Canadian owned
 - ❑ Foreign owned

5. What % of your market is internationalized? _________ %

6. What % of your revenues is derived from international operations?
_________ %

7. Estimate your organization's total sales revenue or total budget:

Today	
Three years ago	

F. CEO RESPONDENT INFORMATION

Please tell us about yourself. This information is critical to interpret the questionnaire.

1. Person completing questionnaire:
 - ❑ Chief Executive Officer
 - ❑ President
 - ❑ Chairman of the Board
 - ❑ Managing Director
 - ❑ Other: __________________

2. Age: _________ years

3. Gender:
 - ❑ Male ❑ Female

4. Ethnicity:
 - ❑ Caucasian/White
 - ❑ Chinese
 - ❑ South Asian
 - ❑ Black
 - ❑ Arab/West Asian
 - ❑ Filipino
 - ❑ Southeast Asian
 - ❑ Hispanic
 - ❑ Japanese
 - ❑ Korean
 - ❑ Pacific Islander
 - ❑ Native/Aboriginal
 - ❑ Mixed
 - ❑ Other: ________

5. Country of Origin:

____

6. # Years with current organization:
_________ years

7. # Years as CEO of current organization:
_________ years

8. Education (highest level):
 - ❑ High school
 - ❑ College/Trade school
 - ❑ Undergraduate degree
 - ❑ Graduate degree

9. Functional background:

- ❑ Accounting/finance
- ❑ Marketing/sales
- ❑ Production/ operations
- ❑ Science/technology/ R&D
- ❑ International economics/politics
- ❑ Human resource management
- ❑ Foreign languages
- ❑ Media skills/public speaking
- ❑ Negotiation & conflict resolution
- ❑ Strategy formulation
- ❑ Computer literacy

Thank you for your cooperation. Your responses will remain confidential at all times.

Cover Letter to HR Executive

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HR Executive Questionnaire Survey

McMaster University

HUMAN RESOURCE EXECUTIVE QUESTIONNAIRE

Directions: Please respond to the questions by marking the appropriate box. If required figures are not available, your closest approximation is sufficient. Your Chief Executive Officer has also been asked to complete a corresponding questionnaire. You participation is necessary in order for the study to be representative of Canadian organizations.

A. CEO LEADERSHIP STYLE

Think about the CEO of your company. To what extent does each of the following statements characterize your CEO? Please circle your response using a 5-point scale:

1. Communicates high performance expectations.

1	2	3	4	5
Not at all	Once in a while	Sometimes	Fairly often	Frequently, if not always

2. Focuses attention on irregularities, exceptions, or deviations from what is expected.

1	2	3	4	5
Not at all	Once in a while	Sometimes	Fairly often	Frequently, if not always

3. Generates respect.

1	2	3	4	5
Not at all	Once in a while	Sometimes	Fairly often	Frequently, if not always

4. I have complete confidence in him/her.

1	2	3	4	5
Not at all	Once in a while	Sometimes	Fairly often	Frequently, if not always

5. Makes people feel good to be around him/her.

1	2	3	4	5
Not at all	Once in a while	Sometimes	Fairly often	Frequently, if not always

6. Points out what people will receive if they do what needs to be done.

1	2	3	4	5
Not at all	Once in a while	Sometimes	Fairly often	Frequently, if not always

7. Reinforces the link between achieving goals and obtaining rewards.

1	2	3	4	5
Not at all	Once in a while	Sometimes	Fairly often	Frequently, if not always

8. Shows determination when accomplishing goals.

1	2	3	4	5
Not at all	Once in a while	Sometimes	Fairly often	Frequently, if not always

9. Takes actions if mistakes are made.

1	2	3	4	5
Not at all	Once in a while	Sometimes	Fairly often	Frequently, if not always

10. Talks about special commendations and/or promotions for good work.

1	2	3	4	5
Not at all	Once in a while	Sometimes	Fairly often	Frequently, if not always

B. WORKFORCE CHARACTERISTICS

Please indicate the percentage of women and minorities in your organization:

	% Women	% Minorities
a) Organization		
b) New Hires		
c) Management		
d) Corporate Officers		
e) Board of Directors		
f) Fifty Highest Paid Employees		

C. EMPLOYMENT EQUITY/DIVERSITY PRACTICES

a) Policy

1. My company has a policy on employment equity/diversity.
   ❑ Yes ❑ No
2. There is a written statement of the consequences of violating employment equity policy.
   ❑ Yes ❑ No
3. Turnover rates are calculated for designated groups.
   ❑ Yes ❑ No
4. Designated groups who are potential candidates for management are identified and targeted for promotion.
   ❑ Yes ❑ No
5. A system exists which monitors women and minority representation in feeder jobs which impact on the ability to meet employment equity goals at management levels.
   ❑ Yes ❑ No
6. There is a specific position designated to handle employment equity or diversity issues.
   ❑ Yes ❑ No
7. There is a person with employment equity or diversity expertise on staff.
   ❑ Yes ❑ No
8. An employment equity/diversity expert has been consulted from outside the company to develop/modify existing company's employment practices.
   ❑ Yes ❑ No
9. There is an employment equity action plan.
   ❑ Yes ❑ No
10. Employees are informed about the specifics of employment equity/diversity plan (except goals and statistics).
    ❑ Yes ❑ No

b) Recruiting

1. A formal policy of aggressive recruiting of designated groups for all management positions exists.

1	2	3
Never	Sometimes	Always

2. Positions for which employment equity/diversity goals have not been achieved are noted as such on job requisitions for management positions.

1	2	3
Never	Sometimes	Always

3. Executive search firms and/or employment agencies which specialize in finding women and minority candidates are used.

1	2	3
Never	Sometimes	Always

4. Ads are placed in women/minority publications.

1	2	3
Never	Sometimes	Always

5. Women and minority job fairs are used for recruiting.

1	2	3
Never	Sometimes	Always

6. Hiring process is different than otherwise would be in situations where there are employment equity concerns (e.g. higher approvals are needed).

1	2	3
Never	Sometimes	Always

7. Hiring manager is informed if employment equity goals for the position have not been met.

1	2	3
Never	Sometimes	Always

8. Employment equity concerns influence hiring decisions.

1	2	3
Never	Sometimes	Always

c) Selection

1. To what extent are the following selection measures used in the hiring process?

	Never	Sometimes	Always
a) Cognitive ability tests	1	2	3
b) Aptitude tests	1	2	3
c) Personality tests	1	2	3
d) Work samples	1	2	3
e) Biographical inventories	1	2	3
f) Reference checks (written)	1	2	3
g) Reference checks (telephone)	1	2	3
h) Structured interviews	1	2	3
i) Unstructured Interviews	1	2	3
j) Panel Interviews	1	2	3
k) Group interviews	1	2	3

2. How much weight or confidence do you place on these selection procedures?

	Not at all		Some		Complete
a) Cognitive ability tests	1	2	3	4	5
b) Aptitude tests	1	2	3	4	5
c) Personality tests	1	2	3	4	5
d) Work samples	1	2	3	4	5
e) Biographical inventories	1	2	3	4	5
f) Reference checks (written)	1	2	3	4	5
g) Reference checks (telephone)	1	2	3	4	5
h) Structured interviews	1	2	3	4	5
i) Unstructured Interviews	1	2	3	4	5
j) Panel Interviews	1	2	3	4	5
k) Group interviews	1	2	3	4	5

3. Do you believe these selection measures are free from bias?

	Yes	No
a) Cognitive ability tests	❑	❑
b) Aptitude tests	❑	❑
c) Personality tests	❑	❑
d) Work samples	❑	❑
e) Biographical inventories	❑	❑
f) Reference checks (written)	❑	❑
g) Reference checks (telephone)	❑	❑
h) Structured interviews	❑	❑
i) Unstructured Interviews	❑	❑
j) Panel Interviews	❑	❑
k) Group interviews	❑	❑

d) Training & Development

1. Members of designated groups are specially targeted to receive management development training.

1	2	3
Never	Sometimes	Always

2. There is a special mentoring program for women and minorities.

1	2	3
Never	Sometimes	Always

3. Managers are trained in their employment equity/diversity responsibilities.

1	2	3
Never	Sometimes	Always

4. Workshops or seminars on managing cultural diverse workforce are made available to managers.

1	2	3
Never	Sometimes	Always

e) Compensation

1. Promotional salary increases for managers are examined for impact on equal pay.

1	2	3
Never	Sometimes	Always

2. Management salary increases for performance are examined for impact on equal pay.

1	2	3
Never	Sometimes	Always

3. Performance rating distributions are examined for managers in designated groups to determine if ratings are different from average.

1	2	3
Never	Sometimes	Always

4. Management bonuses are examined for impact on equal pay.

1	2	3
Never	Sometimes	Always

f) Accountability

1. Managers are informed of employment equity/diversity goals in their departments.

1	2	3
Never	Sometimes	Always

2. Manager job descriptions include responsibilities for employment equity/diversity.

1	2	3
Never	Sometimes	Always

3. Managers receive regular reports of any positions in their departments where employment equity/diversity goals have been set but not achieved.

1	2	3
Never	Sometimes	Always

4. Managers' performance appraisals include departments' employment equity/diversity performance in relation to statistics and goals.

1	2	3
Never	Sometimes	Always

5. Managers' compensation (raises and bonuses) are linked to employment equity/diversity statistics.

1	2	3
Never	Sometimes	Always

6. There is a committee comprised of senior managers/executives which studies employment equity/diversity related issues.

1	2	3
Never	Sometimes	Always

7. There is a committee comprised of Board of Directors which studies employment equity/diversity related issues.

1	2	3
Never	Sometimes	Always

g) Community Support

1. Community women and minority programs or associations are regularly supported with financially or through other non-financial means (e.g. provide meeting space, give reception, print newsletter).

1	2	3
Never	Sometimes	Always

2. Company sponsors membership in women and minority professional associations for managers.

1	2	3
Never	Sometimes	Always

3. There is a women or minority employees interest group.
   - ❑ Yes ❑ No

h) Top Management Attitude

1. How important does top management consider your organization's reputation as an employer of choice for women and minorities?

1	2	3	4	5
Extremely Unimportant	Unimportant	Neither Important nor Unimportant	Important	Extremely Important

2. Overall, how proactive would you rate your organization's top management in their stance toward employment equity/diversity?

1	2	3	4	5
Extremely Resistant	Resistant	Neutral	Proactive	Extremely Proactive

3. Which of the following statements characterizes top management's attitude toward employment equity/diversity?

1	2	3	4	5
Actively resist EE law	Sometimes knowingly break or bend the law	Does not knowingly break or bend the law	Scrupulously follow the letter of the law	Embraces the spirit as of the law

D. DIVERSITY INITIATIVES

1. Estimate the amount of money (budget) spent on employment equity/diversity initiatives last year:

   ____

2. Estimate the amount of corporate donations toward women and minority groups last year:

   ____

3. Estimate the total amount of business with women and minority-owned suppliers last year:

   ____

4. My organization is covered under:
   - ❑ The Federal Employment Equity Act
   - ❑ The Federal Contractor's Program

E. RESPONDENT INFORMATION

Please tell us about yourself. This information is critical to interpret the questionnaire.

10. Position/Title:

    ____

    - ❑ I report directly to the CEO of my organization.
    - ❑ I am responsible for my organization's employment equity/diversity initiatives.
    - ❑ Other: ______________________

11. Age: __________ years

12. Gender:

    ❑ Male ❑ Female

13. Ethnicity:

❑ Caucasian/White	❑ Hispanic
❑ Chinese	❑ Japanese
❑ South Asian	❑ Korean
❑ Black	❑ Pacific Islander
❑ Arab/West Asian	❑ Native/Aboriginal
	❑ Mixed
❑ Filipino	❑ Other:
❑ Southeast Asian	_________

Thank you for your cooperation. Your responses will remain confidential at all times.

Survey Response Card

McMaster
University

MAIL TO ED NG
DEGROOTE SCHOOL OF BUSINESS
McMASTER UNIVERSITY
1280 MAIN ST WEST
HAMILTON, ONTARIO
L8S 4M4

(front)

Thank you for taking the time to complete the questionnaire survey. If you wish to receive a copy of the results, I am most happy to send you a copy if you return this card with your name and address.

Name: ____________________

Title: ____________________

Organization: ____________________

Address: ____________________

____

____

(back)