HRM in Spain its Diversity and the Role of Organizational Culture: an Empirical Study

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Abstract

Many research studies have evidenced the lack of consensus existing on the impacts of diversity in the workforce of companies. Thus, new studies are demanded to consider new intermediate (moderator or mediator) variables in the relation between diversity and results. This research study proposes a management model that considers the role of organizational culture and the human resources system itself as mediator constructs, assessing their impact on work groups. These relations have been evaluated by means of a sample of 102 companies located in the region of Andalusia (Spain) using Structural Equation Modeling (SME) according to the PLS (*Partial Least Squares*) technique for the analysis of data. Our results have shown the key role played by human resources policies in the effectiveness of social processes, contributing to the study of intermediate variables in diversity model. Finally, its limitations and practical implications are discussed.

Keywords: Diversity management, HR practices, individualism/collectivism, hierarchical distance, work groups, social processes

1. Introduction

In the academic field of business management there is a growing interest for the role of human resources in organizations (Huang, 2011), and especially for the make-up of their workforce (Cook and Glass, 2009). Indeed, there has been a recent proliferation of empirical studies that underpin its strategic importance (Kochan et al, 2003). However, empirical work on diversity has achieved little consensus in terms of how beneficial or deleterious diversity can be for work groups. These effects have been studied by Milliken and Martins (1996), who have classified them, into four different groups of processes: affective, cognitive, communication-related and symbolic.

Among the studies that have addressed the effects of diversity of work groups, there is a set that has focused on the cognitive effects, inasmuch as they enhance the decision-making process (Lin, 2001; Martin et al, 2011). Notwithstanding, the complexity of human relations invites us to consider all other processes, trying to avoid the idea of the presence of isolated effects, which has been labeled in the literature as being too artificial and insignificant (Jacoby, 1978). It has been demonstrated that all the above effects interact with each other and have an impact on the satisfaction of work group members, which will play a crucial role in decisions such as leaving or staying in the organization, or

their level of commitment to the company (Benschop, 2001; Chatman, and Flynn, 2001; Jeanquart and Mangold, 2002) or the quality of their decision (Goll and Rasheed, 2005).

The level of complexity of the effects of diversity has evidenced that simple models alone fail to explain its impacts on work groups, since the results achieved by these research models do not have enough explanatory power (Horwitz and Horwitz, 2007). Indeed, the relationship between group composition and group outcomes is more complex than initially thought (Boone et al, 2004), and this is due to the presence of intermediate variables that have been neglected or overlooked, and traditionally they have not been sufficiently studied (Carpenter, 2002; Gonzalez and Denisi, 2009). Moreover, it must be taken into account that demographic diversity deploys its effects, indirectly through the different skills, perspectives and knowledge of its members (human capital diversity) which leads them to improved complex problem solving abilities, decision-making and member participation levels (Martin et al, 2006).

Some of the intermediate variables that have been studied are the dimensions of organizational culture (e.g. Lam et al, 2002; Triandis, 1989; Waldman et al, 2006), as well as the human resources system (e.g. Burchell and Gilden, 2008; Ofori-Dankwa and Julian, 2002; Martin et al, 2011). Thus, the purpose of this paper is to propose and empirically test the mediation role of organizational culture and human resources management in the relationships between *"The factors determining diversity"* and their impact on *"Social processes"*, contributing to fill the gap found in the literature on the role of intermediate variables in diversity models.

Therefore, our research study is structured as follows: First, it includes a literature review, which allows for the proposal of a HRM research model on diversity in firms. Second, we intend to test our research model on a sample of more than 100 firms based in Andalusia (Spain). Finally, we are presenting the conclusions, explore the extent to which certain human resources policies are involved in the process and suggest the main implications for businesses, as well as the main limitations of our research.

2. Literature Review and Research Model

The *Resources Based View* (RBV) underpins this paper and so we start by considering HR as a source of competitive advantage (Barney and Wright, 1998). Although the impacts of diversity are quite diverse, since they depend from other factors aside from demographic diversity, they enhance this character of source of competitive advantage, inasmuch as they reinforce the conditions of worth, complexity, inability to be imitated and difficulty to transfer (e.g. De Long and Fahey, 2000; Kochan et al, 2003).

2.1. The Concept of Diversity

Although most of the studies on diversity have focused on one or two attributes, such as age or gender, usually easy to detect, the complexity and relevance of the concept requires taking into account a larger number of characteristics, including those that are harder to observe (Harrison and Klein, 2007). Several studies classify the factors determining diversity into two categories: demographic and human capital (e.g. Lawrence, 1997; Martin et al, 2011). Whereas demographic diversity refers to a set of observable and immutable attributes, such as gender, race, age or nationality (Wiersema and Bird, 1993). Human capital diversity refers to less visible characteristics such as an individual's experience or his ability to perform certain tasks, which has been considered to being connected to human capital (Becker, 1993).

Demographic attributes are deemed to determine to a great extent the perception individuals have of other, and therefore, of themselves (Dalton and Chrobot-Mason, 2007). According to the Similarity-Attraction Paradigm these differences are associated to affective and relational processes, which has an impact in terms of group cohesion in the generation and solving of conflicts (De Dreu and Weingart, 2003), the presence of stereotypes, as well as in the frequency, quality and formal level of communication among its members. Likewise, the image projected by the same group will affect

both its external communication in terms of frequency, quality and formal level, and the perception of the group itself regarding its legitimacy within the organization (Kandola and Fullerton, 1998).

As we have seen, both demographic (Olson et al, 2008) and human capital (Martin et al, 2011) attributes, have been associated to social processes and therefore, we have considered both categories in the concept of diversity (see appendix 1), assuming that demographic differences will have an impact on the groups' work through their knowledge, abilities and skills (Becker, 1964; Cornelius, 2002).

2.2. The Concept of Social Processes

This term refers to the set of interpersonal relations existing among the members of a groups or team, for example, who speaks to whom, who discusses with whom, or who aligns himself with whom (Stewart and Barrick, 2000). This term covers processes such as decision-making, cohesion and cooperation among individuals, conflict solving and communication process, which determine the outcomes of the work groups (Hopkins and Hopkins, 2002; Stewart and Garcia-Prieto, 2008).

Previous studies show that diversity affects the result of a group by means of multiple impacts that altogether influence the values of individuals, their cognitive schemes and their conducts, as well as their language (Hambrick et al, 1998). Martin et al (2011) indicate that diversity affects the way work groups perceive stimuli, process information and make decisions. The presence of different perspectives represents different mental model which will enrich the group's decisions, the perception of its members in terms of future opportunities and their level of commitment. Likewise, it impacts may be deleterious if the reaching of agreements or consensus is hindered or if interpersonal conflicts arise. This has led us to consider both demographic and human capital variables in the model we propose.

In conclusion, the consequences resulting from the multiple and intricate effects diversity causes on social processes interact jointly affecting the level of consensus and the decision-making processes (Pedraja-Rejas and Rodriguez-Ponce, 2006). Our objective focuses on studying the mediator effect in the relationship between diversity and outcomes, analyzing its consequences in terms of its contribution to decision-making, level of consensus and interpersonal conflict. Therefore the next figure (1) shows the proposal of our research model.

Figure 1: Research Model
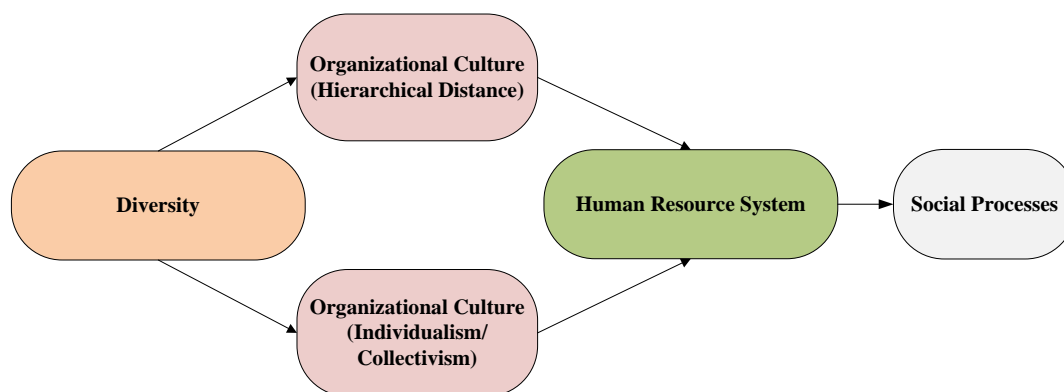
2.3. The Concept of Organizational Culture

Culture is manifested and is different in one organization from another one in its practices and uses (routines) and to a lesser extent in its values. Whereas values are highly conditioned by people's childhood, organizational practices on the contrary are learned through socialization at the workplace, at which people arrive with most of their values deeply rooted. It seems unquestionable that the values of the founders and key leaders will model organizational cultures, but it is by means of shared

practices that those cultures affect most of the employees. Therefore, in this process diversity confers and conditions organizational culture (Triandis and Suh, 2002).

2.4. The Impacts of Diversity on Organizational Culture

In the relation between diversity and work group performance recent studies have suggested that we should consider those mediation processes that condition it, such as it is the case of organizational culture (McKay et al, 2009; Pugh et al, 2008). Considering the purpose of our study we are especially interested in those dimensions of the organizational culture affecting the function of organizations and their work groups, such as the level of individualism/collectivism and the hierarchical distance. The latter, also called distance of power, refers to the degree to which individuals expect a hierarchical structure that makes emphasis on differences of status between subordinates and their superiors, determined by the organizational structure and its power relations (supervision, wage levels, privileges, etc.), the type of participation of individuals in decision-making processes (decentralization vs. centralization, democratic vs. authoritarian leader, etc.), the type of communication that takes place within the organization and the particular features of the individuals that make it up. Ultimately, all this will condition the formation and operation of work groups (Aycan, 2005; Hofstede, 1999; Pheng and Yuquan, 2002; Schramm-Nielsen, 2000).

In organizations in which a large distance to power is predominant, managers fulfill the role of an authoritarian boss, with high reliance of formal rule (control) and subordinates expect to be told what they have to do (Pheng and Yuquan, 2002). This relation shows a very formal profile between superiors and subordinates, resulting in strong differences of roles, and very likely, a strong combination of mixed feelings that might generate a paternalistic attitude by the manager and highly-polarized feelings (highly positive or negative) towards him. Likewise, some research studies (e.g. Schramm-Nielsen, 2000) have shown that a team culture profile ranking low in distance to power is related to a greater predisposition of the members of those teams toward decision-making (commitment) and with not leaving the company.

Although traditionally the literature has ignored the relation between diversity and this cultural dimension (Burawoy, 1979), the connection has been shown by recent research studies, and so the greater the heterogeneity of work groups the smaller the distance of power (Alvesson and Willmott, 2002; Janssens and Zanoni, 2005), and due to the interest of analyzing this relation in the model we propose, we formulate the following hypothesis:

> ***Hypothesis H1A (-)***: *A greater level of diversity will be associated to a shorter hierarchical distance in the organization's culture*

A further cultural dimension that has been widely studied in connection to organizational culture is the one referring to the level of "individualism/collectivism". Both concepts are considered to be opposite poles of the same dimension of culture, in which individualism would refer to the presence of weak links among individuals, who are expected to live by themselves and with their close family. On the other end, collectivism is typical of societies in which people since their early childhood are part of strong and highly-cohesive groups, which will protect their members throughout the lives in exchange for their unquestionable loyalty (Hofstede, 1994, 2001).

The degree of individualism or collectivism predominating in a society will have an impact in the relationship between individuals and organization of labor (Euwema et al, 2007). Indeed, the contrast between the individual's and the organization's objectives is what will determine the degree of independence of individuals from the organization (time for personal issues, freedom and challenges in task performance), as well as their dependence from it (use of skills, physical conditions and training).

In organizations with a high level of individualism, decisions will be made by specific individuals and not collectively. However, in primarily collectivist organizations employees tend to change in order to fit into the different situations (Noordin et al, 2002), and above all they try to keep

harmonious relations within the group, and even if it happens at the expense of task performance, they prefer collective approaches such as negotiation, mediation and consensus to solve conflicts. For obvious reasons these individuals act in cooperation with their colleagues and are hostile to those who are not, in terms both of the company and within the work groups (Noordin et al, 2002; Perlow and Weeks, 2002). Accordingly, recent research studies, such as those carried out by Pan, French, Goldschmidt and Song (2006) have found a positive relation between the level of diversity of an organization and a predominance of collectivism in their culture (in the same line: Luomala et al, 2004; Paquin et al, 2007). Thus, we propose the following hypothesis:

> **Hypothesis H1B:**   *A greater level of diversity will be associated to a greater level of collective in an organization's culture*

2.5. Social Exchange Theory

In order to understand attitudes and behavior in organizations one of the most influential conceptual frameworks is the one provided by the Social Exchange Theory (SET), which has been connected to employee commitment (Cropanzano and Mitchell, 2005). Despite of the different points of view regarding this theory (e.g. Coyle-Shapiro and Conway, 2004) there is a widespread consensus in accepting that the interactions that take place among group members inevitably force them to relate to each other. In essence this implies and exchange of material and immaterial resources that will be ruled by reciprocity standards (Gouldner, 1960). Reciprocity is a universal principle that guides behavior so that an individual feels obliged to return any preferential treatment received from another one, which in the long term will result in a link reinforcement mechanism between them. SET may be applied to multiple relationships within organizations, but has become especially relevant in the "individual-organization" relationship since it supports human resources management pursuing employee commitment to favor their integration into the company and the achievement of its goals (e.g. Sparrowe and Liden, 1997).

2.6. HR Practices as Mediator of Social Processes and HR Diversity

The HR management system is the set of interrelated elements by which the organization manages its human capital, which shall be coherent with the business strategy and the business context (Wright and McMahan, 1992). There is no universally accepted concept of what practices make up a HR system; however, it is possible to determine which functional areas appear regularly in the literature, although sometimes under different labels (Martin et al, 2006). In our case we have followed the work of Guest et al (2003), who have considered in their research nine HR practices, made up by related groups of actions targeted at workforce management (appendix 1).

On the other hand, practices can be classified based upon their focus (Richard and Johnson, 2001), what is especially interesting from a diversity point of view (Martin et al, 2011), no matter whether their goal is employee control or employee commitment (e.g. Collins and Smith, 2006; Perry-Smith and Blum, 2000). The participation of employees in the decisions of their group, the search for agreements and the prevention of interpersonal conflicts all require management systems allowing them to debate their points of view openly, especially if they are different. Therefore, it is necessary that HR practices support the commitment of employees to their colleagues and the organization (Appelbaum et al, 2000; Guest et al, 2003; Kirkman and Shapiro, 2001). For example, in the field of recruitment (Leede and Riemsdijk, 2001); in training activities (Combs and Luthans, 2007; Yap et al, 2010); in evaluation and assessment processes (Cannella et al, 2008); in the compensation system (Heywood and O'Halloran, 2004); in job design (Simsarian and Donahue, 2001); in employment stability and internal market, as well as in initiatives related to equal opportunities or management quality (Adya, 2008).

Moreover, Kochan, Bezrukova, Ely, Jackson and Joshi (2003), and others (Bhagat et al, 2002), concluded that the design and configuration of HR practices should include elements of organizational culture such as hierarchical distance. For example, Kirkman and Shapiro (2001) found a positive relation between the predominance of collectivist cultures in organizations with a diverse workforce and satisfaction and commitment level of their members. Similarly, Jackson (2002) showed that in workforces with high "diversity" levels the configuration of HR practices played an especially important role, and defended the presence of a positive relation between collectivist cultures and their orientation, especially when they pursued employee commitment rather than their control.

At this point, it seems obvious that factors such as "collectivism" or "hierarchical distance" shall be taken into account in configuring staff management and subsequently, HR systems, especially as they will have an impact in the social processes of work groups (Aycan, 2005; Hofstede, 1999; Triguero-Sánchez, 2010). In this line we propose the following:

> ***Hypothesis H2A (-):*** *The lesser the hierarchical distance existing in an organization, the greater the commitment of employees to their organization*

> ***Hypothesis H2B:*** *A higher level of commitment (HR practices) within the organization would result from a higher level of collectivism*

The arguments we have reviewed invite us to think that the impacts of diversity and organizational culture should inspire the configuration of HR practices (e.g. Bamberger and Meshoulam, 2000). Therefore, the systems aimed at the pursue and achievement of employee "commitment" (psychological connection) rather than at their "control" (direct and linear performance), tend to make a better use of the benefits derived from having a diverse workforce, which will contribute to achieving more effective process in work groups (Bassett-Jones, 2005; Gooderham et al, 2008; Guest et al, 2003; Martin et al., 2006). And in order to complete the relation established by our model, we propose the following hypothesis:

> ***Hypothesis H3A:*** *The success of social process will depend from a greater commitment of employees to their organization*

Once all the hypotheses have been proposed and justified, they are included in the research model (fig.1) which will be validated using Structural Equation Modeling (SEM).

3. Sample and Methodology
3.1. Scope of research and characteristics of the sample under study

The instrument used for data collection was a survey that used questionnaires submitted to two managers of each of the previously selected firms, since managers have a more comprehensive and general view of the work teams or groups in their organizations (Dess and Davis, 1984); these technical data are shown in table 1.The method for data collection was questionnaires submitted by post or e-mail, in addition to personal interviews, depending on the availability declared by interviewees. A pre-test was carried out to ten companies, which allowed for making some of the questions better understandable and reducing the time required filling in the questionnaire. Furthermore it was used as a previous analysis of the reliability and validity if the measurement model.

The firms were selected from the SABI (*Iberian Balance Analysis System*) database, which includes information on annual balance sheets and other activity data on Spanish and Portuguese companies since 1990. The database includes 157,264 companies based in Andalusia, from which 1,300 have between 100 and 200 employees, according to 2007 data. Of those companies 1,169 were incorporated prior to 2003. Finally, we took as sampling unit only those company for which financial information was available for 2005, 2006 and 2007; a further restriction was that the number of

employees in the last year should be higher than 100, and so the resulting population was 902 companies. The sample included 103 companies (102 valid), which resulted in an 11.23% participation level (see tables 1 and 2).

Table 1: Survey technical data

Population size	902 Firms
Universe	Manager of HR, Chair of HR, and CEO.
Place of Study	Andalucía (Spain)
Sampling method	Survey: via e-mail, postal survey, and personal interviews
Sample size	102 surveys (discounting the ineligibles and incomplete.)
Level of participation	11.31%
Time period	June 2009 to October 2009

Table 2: Sample's descriptive statistics

Characteristics	N	Minimum	Maximum	Mean	SD
Years of operations	97	7	86	20.90	12.28
Number of employees	102	30	1.72	218.03	265.59
Total Assets (last three years) in Euros (€)	102	327 393	416 598 667	37 051 984	65 657 472
Business membership (*Private*)	102	0	1	0.93	0.25
Manager's HR department	102	0	1	0.68	0.47
gender *Male*	102	0	1	0.66	0.25
Female	102	0	1	0.34	0.26

Note: SD. Standard deviation N= it referred to the number of firms

Additionally, according to the qualitative information provided, the sector with the greatest presence in terms of demographic diversity is "Industry and energy" (26.8%) and the private sector (70%) in terms of public/private. Most of the organizations included in the sample have a HR manager and the average financial return rate of the sample is around 3%.

3.2. Measurement of the Factors Determining Diversity

Eight diversity factors have been considered, four of them are demographic and the other four are related to human capital (annex 1). The measurements of Taber and Hendricks (2003) and Levie (2006), were used to validate the demographic factors, whereas the measurement scale used to assess the determining factors of human capital diversity has been the one proposed by Boone, Van Olffen, Witteloostuijn and De Brabander (2004) as well as the work of Cannella, Park and Lee (2008). Continuous variables were categorized, as for example the variable "age", which following Chiang and Bitch (2007), was grouped into three categories: less than 36, between 36 and 45, and over 45. Later these measurements were incorporated into the research model using Blau's Heterogeneity Index (1977), where:

$I = 1 - \sum P_i^2$ Being P la proportion of individuals in a studied category and "i" the number of categories observed according to Gibson, Waller, Carpenter and Conte (2007).

3.3. Measurement of Human Resources Practices

In order to measure HR practices 36 measurement items of Guest et al, (2003) have been used, with a Likert 1-7 scale, in which 1 means "fully disagree" and 7 "fully agree". The following practices have been measures; staff recruitment, training, promotion and development, evaluation, wage flexibility,

job design, communication plan, employment stability, equal opportunities and HR management quality. These aspects will allow us to know the focus of the HR practices implemented by the companies under study.

3.4. Measurement of "Individualism/Collectivism" and "Hierarchical distance"

The measurement scales of Baker, Carson and Carson (2009), who adapted the scale proposed by Dorfman and Howell (1988), were used to measure these variables. They were measured with a Likert 1-7 scale, in which 1 means "fully disagree" and 7 "fully agree". We assume that if the company there is a high level of collectivism there is no or little individualism. Six items were used for each of the analyzed dimensions, and the statements were of the kind: *"Group success is more import than individual success"*.

3.5. Measurement of Social Processes

Three dimensions have been studied to measure social processes: conflict, consensus and contribution to decisions. For the "Conflict" dimension we have followed the adapted model of Jehn et al, (1999) made up by three items of the kind: *"What is the level of conflict of ideas generated in the organization's different groups?"* To measure the degree of "Consensus" or pursuit of agreements we have followed the work of Knight et al, (1999) including five items and to measure "Contribution to decisions" we have adapted the scale used by Lam et al, (2002) with four items. All constructs (variables) and the measurements of each of them are listed in the appendix together with the Likert scale use for all of them.

4. Analysis of Results

Due to the complex character of the impacts of diversity, many research studies in this field have opted for qualitative techniques, especially by means of case studies (i.e. Kochan et al, 2003). However, as some researchers have suggested (Diamantopoulus and Siguaw, 2000) the use of Structural Equation Modeling (MEE) allows for studying complex causal relations as a whole, showing non-observable effects (Chin, 1998; Martin et al, 2011). Therefore, the data analysis for this stage of the research has been performed using the Partial Least Square (PLS) technique (Chin, 2003).

This method, which uses the Ordinary Least Squares (OLS) algorithm, is designed to reflect the theoretical and empirical qualities of social sciences and behavior in situations with insufficiently supported theories and little available information (Wold, 1979; Henseler et al., 2009). The PLS procedure has been gaining interest and use among researchers in recent years because of its ability to model latent constructs under conditions of non-normality and small to medium sample size (Barroso et al., 2010; Chin, 1998; Real et al., 2006).

For this study the PLS-Graph software version 03.00 was used (Chin, 2003). The use of this technique (PLS) involves two stages or approaches (Barclay et al., 1995). The first step requires the evaluation of the measurement model, allowing the relationship between the observable variables and the theoretical concepts to be specified (Barroso et al., 2010). This analysis is performed in relation to the attributes of individual item reliability, construct reliability, average variance extracted (AVE), and discriminant validity of the indicators such as approximate measure of latent variables (Real et al., 2006, p. 512). The second step is to assess the structural model and evaluate the consistency of the proposed relationships (hypotheses) with the theory utilized.

Once the second order constructs (HRM and PROS) had been standardized into first order constructs according to the literature (Chin, 2003; Barroso et al., 2010) we have analyzed the weights for the formative indicators and the factorial loads for the reflective ones. Additionally, the problem of **multicolineality** has been assessed by studying the VIF (Variance Inflation Factor) (Robert and Thatcher, 2009), which must equal or less than 3.30, in addition to studying the T values, which

provide the real contribution of their indicators to the formative construct (Robert and Thatcher, 2009, p. 24). The data obtained are shown in table 3.

Table 3: Values of the Formative Construct

Construct/indicators				
Diversity Factors	**Tolerance**	**FIV**	**Weight**	**T-Values Statistic**
FD1 (*Age*)	0.938	1.066	-0.180	0.489
FD2 (*Gender*)	0.796	1.256	0.931	3.961***
FD3 (*Race*)	0.400	2.498	0.293	0.665
FD4 (*Nationality*)	0.388	2.577	-0.997	3.222***
FD5 (*Education*)	0.988	1.012	0.108	0.154
FD6 (*Functional*)	0.945	1.059	0.837	6.943***
FD7(*Antiquity*)	0.456	2.195	-0.964	2.782**
FD8 (*Seniority*)	0.447	2.237	0.563	1.200

For the constructs with reflective indicators we have evaluated the **individual reliability** of each item, and in all cases the minimum limit proposed by Nunnally (1978) of ≥ 0.70 was exceeded. Additionally the convergent validity of the construct was evaluated, obtained with the average variance extracted (AVE) (Barclay et al, 1995; Barroso et al., 2010). According to the values shown in table 4 we may state that all the constructs in our SEM have appropriate values (AVE>0.50) never below 67%. And as an additional evaluation, we also assessed the **discriminant validity** of the construct (Barroso et al., 2010). In this first step in the evaluation of the measurement model the discriminant validity indicates to what extent a given construct is different from other ones. To that end the most common process for its evaluation is showing that the correlations between constructs are lower than the square root of the average variance extracted (AVE) as shown in table 5.

Table 4: Results of the measurement model

Construct/indicators	Loading	CR	AVE	T-Values
Collectivism		0.948	0.751	
IC1	0.888			44.110***
IC2	0.880			39.777***
IC3	0.885			38.705***
IC4	0.881			33.577***
IC5	0.897			35.241***
IC6	0.762			14.862***
Hierarchical Distance		0.925	0.673	
HD1	0.857			30.992***
HD2	0.812			23.349***
HD3	0.882			47.907***
HD4	0.735			13.541***
HD5	0.838			24.720***
HD6	0.790			19.533***
HRM Practices		0.951	0.685	
SEL	0.719			13.824***
TRA	0.835			29.718***
EVA	0.770			16.512***
FLE	0.736			19.086***
JD	0.893			45.595***
COM	0.814			23.006***
JS	0.831			22.463***
EQU	0.874			38.060***
JQ	0.847			103.899***
Social Processes		0.903	0.758	

CF	0.761			12.531***
CS	0.931			61.838***
CT	0.909			56.237***

Note: AVE; average variance extracted, CR; Composed reliability

Table 5: Discriminant Validity

Variables	HD	IC	FD	HRM	PROS
HD	**0.820**				
IC	-0.717	**0.867**			
FD	-0.343	0.368	N.A.		
HRM	-0.787	0.824	0.34	**0.828**	
PROS	-0.792	0.762	0.342	0.799	**0.871**

Note: The elements in bold along the diagonal correspond to the square root of the AVE.
The rest of the figures out of the diagonal represent the correlations between constructs.
All correlations are significant for $p < 0, 01$.

Once the validity and reliability of the measurement model has been demonstrated, in order to assess whether the structural model supports the proposed research model (2nd step) the model was tested considering the intensity of the path coefficients or standardized regression weights and the **variance explained** (R^2) of the endogenous or dependent variables. On the other hand the non parametric bootstrap technique was applied to assess the preciseness and stability of the estimates obtained. This technique provides the signification of the structural paths and with it, the confirmation or not of the hypotheses proposed by means of the standard error and the Student t values of the model's parameters.

However the Stone-Geisser's Test (1974) also known as Q^2 has been used in recent studies. It is commonly used as a criterion to measure the predictive relevance of dependent constructs. As opposed to the R^2 this evaluation is only applicable to constructs with reflective indicators. The general rule for the evaluation of the Q^2, establishes that if $Q^2 > 0$ the construct will have predictive relevance (Chin, 1998). The validity of the obtained values is shown in table 6 and in figure 2. Likewise, the result confirm that the structural model (Fig. 2) has got **predictive quality**, since it achieves a GOF=0.72 (Goodness-of-Fit), far from zero and close to one (Tenenhaus, 2008). These data confirm that the effectiveness of social processes can be predicated with the estimated parameters.

Table 6: Results of the global structural model

Hypothesis/Support		Path (T-values)	Direct Effects (%)	Indirect Effects (%)	Total Effects (%)	R² (%)	Q²
H1A (-) Diversity→ Hierarchical Distance	yes	-0.343(3.728)***	-11.2%			32.7	0.536
H1B Diversity →Collectivism	yes	0.368(3.662)***	9.2%			24.9	0.644
H2A (-) Hierarchical D →HRM practices	yes	-0.315(5.851)***	-24.8%	10.8	-14.0	31.5	0.590
H2B Collectivism →HRM practices	yes	0.664(13.448)***	27.9%	24.4	52.3	31.5	0.590
H3A HRM practices→ Social Processes	yes	0.822(7.000)***	73.0%	27.7	100.7	82.0	0.505

† p<.1; (based on t $_{(999)}$, on-tailed test)
* p<.05; (based on t $_{(999)}$, on-tailed test)
** p<.01; (based on t $_{(999)}$, on-tailed test)
*** p<.001; (based on t $_{(999)}$, on-tailed test)

5. Discussion

The five hypotheses proposed have been confirmed, which evidences in addition to the validity of the HRM model proposed that there is a non-linear relationship between diversity and effectiveness of social processes. These results confirm that the differences existing among employees do have an impact on organizational culture, and the role to be played by the human resources management system is crucial for the performance of work groups. The role of intermediate variables in this type of studies

becomes evident, which allow us to analyze in further depth the inputs and outs of the so-called *"black box"* that many authors have tried to explore (Lawrence, 1997).

Figure 2: Results of SEM
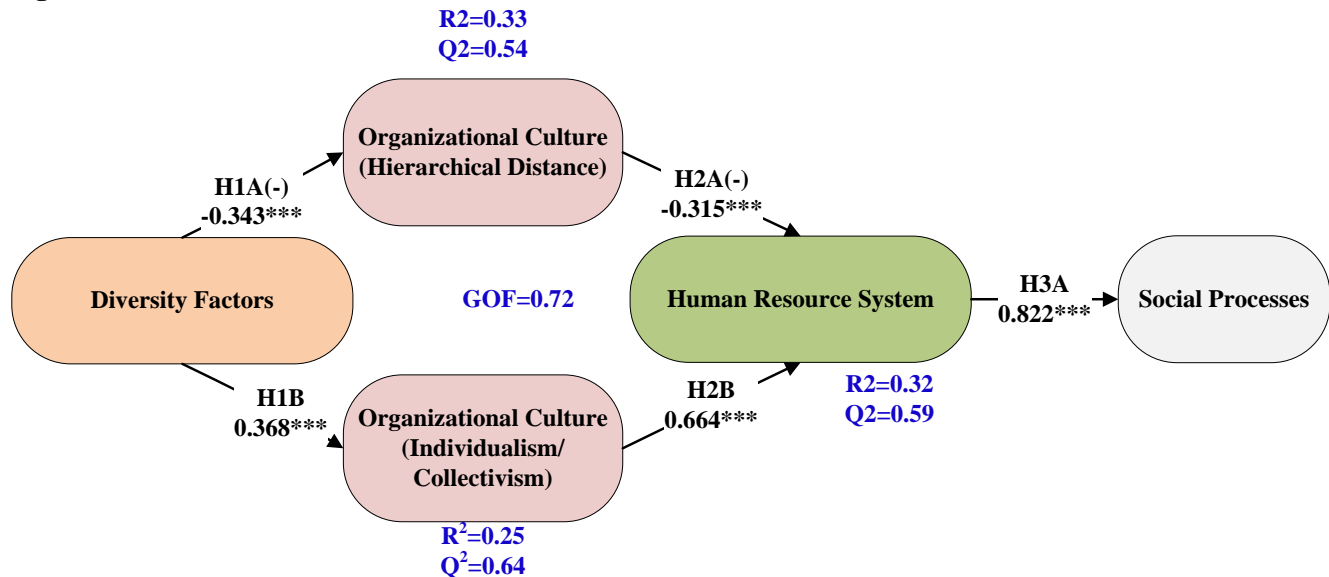
The results of our SEM (Fig. 2) predict that the most important factor for diversity management and determinant for success in *social processes* are the practices (HRM) that explain the variance of this variable (R^2= 0.32), directly by 32%. It is surprising that HR practices contribute by 82% to explain the variance of social processes. According to previous studies (e.g. Bamberger and Meshoulam, 2000) this relation reveals that the level of employee commitment is strongly associated to the effectiveness of social processes (ß=0.822; $_{p<.001}$).

In another dimension of the model the relations between level of diversity and level of collectivism (ß =0.368; $_{p<0.001}$), as well as hierarchical distance (ß=-0.343; $_{p<.001}$) appear as clearly associated. The results show that with higher levels of diversity hierarchical distance decreases and level of collectivism increases. These results are coherent with those obtained by Janssens and Zanoni (2005) and Pan et al. (2006) among others.

With regards to the relation between the individualism/collectivism cultural factor and HR practices (ß=0.664; $_{p<.001}$) we can see that a higher level of collectivism is positively associated to a stronger focus of HR practices and policies on achieving employee commitment. These findings have also found an empirical basis in previous research (Chiang and Birtch, 2007). On the other hand a smaller hierarchical distance (ß=-0.315; $_{p<.001}$) is positively correlated to a greater focus of HR practices on such commitment. In the same line there is evidence of the special relevance of the cultural factors "individualism/collectivism" and "hierarchical distance" in a personnel management focusing on achieving commitment. These variables will have a significant impact on process effectiveness in work groups.

As far of the determining factors of diversity are concerned, we have found effects of gender, race (among the demographic ones), academic education, functional specialization level and tenure. However, only gender and functional specialization has reached a significant statistical value.

6. Conclusions

The role of organizational culture in strategic HR management has been highlighted. Both diversity in terms of gender and functional diversity have shown their effects on organizational culture leading to a greater emphasis on the achievement of common rather than individual goals (collectivism), as well as a more open relation and communication between different levels or categories (hierarchy). Strangely enough the most influential determinant factors of diversity in the model seem to explain the changes

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experienced by the Spanish and Andalusian labor market; i.e. an increase of the numbers of women in the workforce as well as a growing business trend towards more horizontal structures.

These effects detected on hierarchical distance and level of collectivism should be taken into account in the configuration of the HR system. Moreover, its policies and practices may enhance the positive effects of diversity and, where appropriate, reduce the negative impacts inasmuch as they are considered as a strategy aimed at pursuing the commitment of diverse employees.

The contribution of the practices to the success of the proposed management model has been uneven, although all of them have contributed to the improvement of the positive effects for the work groups, not all of them have shown the same effectiveness (see table 7).

Table 7: Contribution of HR practices in the model

Impact	Policies	Integrating Practices
1º	Quality management	• *Improvements in work teams* • *Quality circles and assurance* • *Participation of employees in problems solving*
2º	Equal opportunities	• *Equality programs*
3º	Job design	• *Multifunctional, self-managed or project-based teams*
4º	Training and career	• *Especially in multifunctional or self-managed teams and in "key positions"* • *Connection between training and career within the organization*
5º	Employment stability	• *Focus on the internal market and employee stability*
6º	Performance evaluation	• *Feedback measures*
7º	Compensation	• *Team-based incentives and bonuses according to results*
8º	Communications	• *Regular supply of information* • *Consultation to employees* • *Participation of employees in goal setting*
9º	Recruitment and selection	• *Information on negative aspects of the vacant positions and what is expected of applicants*

The initiatives that have contributed most to the success of the model make reference to "Quality management", the possibility organizations offer to their employees to take part at work group improvement followed by the implementation of programs related to quality circles and assurance, as well as the establishment of participation channels so that employees can take part in solving the problems that may affect them. Likewise, we have observed a clear link between these practices and a higher level of collectivism in the organization. At the same time, the presence of actions aimed at offering the same opportunities (**Equality programs**) has shown to be a valuable instrument to enhance employee commitment to their work groups.

Job design is a further practice that plays a fundamental role in achieving success in organizations, especially the less hierarchical ones, by means of a greater effectiveness of work groups. In this field one important element is the presence multifunctional, self-managed or project-based groups, in which focus must be made on an appropriate job design and on the qualification of the employees for the competences that can be assigned to them (flexibility).

Employee "Training" also plays an important role in contributing to success in this type of environments, basically through the positions considered to be "key" ones within organizations, which may be related to the multidisciplinary training in the different tasks that may be assigned to self-managed teams and other ones with similar characteristics. This training in "key positions" is followed by other training actions aimed at improvement, and according to the employees, they are considered as relevant for their future or their career in the company. From this improvement it can be assumed that the organization wants its employees to learn the skills it will need in the future.

Similarly the important effect shown by "Stability in employment" and internal promotion is quite coherent. Among the actions implemented in this field the most influential one in terms of the perception by the employees is the organization's commitment to their stability and the regular use of internal promotion. Likewise, it seems that not resorting to regular lay-offs increases the commitment of employees to their organization.

In addition to the above, some other practices have actively participated in the success of the proposed management model, although to a lesser extent. It is the case of performance evaluation actions, having in place periodical bidirectional communication plans or personnel recruitment (see detail in table 7). In any case, they are all practices focusing on employee integration, and so, far from being designed and implemented aside of other personnel organizational actions, they must build one single and coherent HR management system. This argument has shown to be valid in collectivist environments provided that such management system takes into account the commitment of employees to their work groups. This will result in better management of interpersonal conflicts, greater participation and a higher level of consensus in the pursuit of solutions and agreements among work group members.

In conclusion, the results we have obtained support, together with the reviewed literature, that the presence of diverse workforces have an impact on the effectiveness of the decisions made by work groups, but they may be affected by the HR strategy in place, for which the role of organizational culture must be considered. This research contributed to a better understanding of how diversity management has an impact on the effectiveness of the processes and dynamics taking place in work groups.

7. Limitations and Future Research Lines

Among the limitations that shall be taken into account there is first the fact that all the companies studied are based in Andalusia (Spain), which entails a series of behavior patterns and regulations which are characteristics of this area. A further limitation that must be mentioned is the use of structural equation modeling as data analysis technique. This assumes that there are direct causal relations among the variables, while in practice there might be other variables that could also affect such relations. Moreover, we cannot forget that the model has only confirmed the contribution of diversity on grounds of gender and functional specialization, which means that for all other types further studies are needed to cast more light.

In addition to the one mentioned above there are other research lines could be developed by addressing other geographical areas in order to obtain a more holistic model that could be more generally applicable. Likewise, it would be interesting to dwell further into each of the HR practices in order to know more accurately their actual contribution to the model. Furthermore, the same model could be proposed with new intermediate variables such as the type of task performed, which has been suggested in other diversity research studies.

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Appendix 1

Construct	Indicators and its codes	Measures
Diversity Factors *Note: The diversity level of these variables has been measured using Blau's heterogeneity index (1977)*	Age (FD1)	The responses have been grouped into 3 different categories according to Chiang and Birtch (2007).
	Gender (FD2)	Grouped into 2 categories (Taber and Hendricks, 2003).
	Race (FD3)	Classification according to Taber and Hendricks (2003) into 5 groups.
	Nationality (FD4)	Following Levie (2006), the categories are Spanish/foreign
	Education (FD5)	Following Bloom et al (2004) 4 categories have been used
	Functional (FD6)	4 categories according to Bunderson (2003)
	Antiquity (FD7)	Transformed into categorical (Knight et al, 1999)
	Seniority (FD8)	
Individualism/Collectivism Hierarchical Distance	IC1…IC6 HD1…HD6	6 items for each of these construct according to Dorfman-Howell (1988) scale adapted by Backer et al (2009) with a 0.85 reliability level.
HRM Practices	Selection (Sel1…Sel3) Training (Tra1…Tra4) Evaluation (Eva1…Eva3) Flexible remuneration (Fle1…Fle4) Job design (Jd1…Jd7) Bidirectional Communication (Com1…Com5) Job stability (Js1…Js4) Equality (Iqua1) Job quality (Jq1…Jq4)	Guest et al, (2003) with 44 items and a 1-7 Likert-type scale.
Social Processes	Conflict (Cf)	Adapted scale of Jehn et al (1999) with 3 items and a 1-7 Likert-type scale.
	Consensus (Cs)	Pursuit of agreements according to Knight et al (1999)'s scale, with 5 items and a 1-7 Likert-type scale
	Contribution to decisions (Ct)	Scale adapted by Lam et al (2002), with 3 items and a 1-7 Likert-type scale.