Exploring the correlation between diversity and financial performance: an empirical study

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Abstract: Although a myriad of studies has been conducted on workforce diversity issues, only a handful of studies have examined the correlation between diversity-related values and the financial performance of companies. This study examines this relationship by testing the extent to which diversity-related values are correlated with the financial performance of publicly traded companies using companies listed on the New York Stock Exchange. Companies were grouped into primary, secondary, and tertiary sectors for the analysis. The findings reveal that the diversity value dimension is positively correlated with companies' financial performance. No significant differences were found between the commitment to diversity value dimension and the three sectors. Implications of these findings and future research directions are discussed.

Keywords: diversity; corporate value; culture; financial; non-financial performance.

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1 Introduction

In order for companies to achieve goals, they require basic resources, namely, human, financial, and physical (Valentine et al., 2019). Although these resources are important to varying degrees, human resources are believed to be the most critical resources that companies need to achieve their goals. Successful companies attribute their past successes partly in the way they deal with their employees (Boxall, 2003; Bowen et al., 2004; Birasnav and Rangnekar, 2009). Effective use of the company's human capital may explain a significant part of the difference in higher market value between companies.

Today's working environment encompasses an increasingly diverse workforce. According to the Census Bureau (2014), the non-Hispanic white majority will remain the single largest group in the coming years, but by 1944, minority groups such as Hispanic, African Americans, Asian Americans, and multiracial groups combined with other minority groups will represent the majority of the USA. population; the multi-racial group is projected to be the fastest-growing group (Colby and Ortman, 2015). Thus, the need to attract, develop, motivate and retain a wider range of employees will continue to increase as the country grows more diverse. Companies must become effective in attracting, developing, motivating, and retaining minorities and women, as these groups represent an important talent base (Parsi, 2017).

Workforce diversity can only be managed successfully in a company that values diversity (Sidle, 2009). Companies recognise the business imperative of having an employee base that represents their customer base. To truly satisfy the target population companies want to serve, they need diverse groups of employees, suppliers, and vendors (Lussier and Hendon, 2021). Companies that can effectively manage workforce diversity are likely to succeed in the war for talent (Jackson, 2017a) and attract talented people willing to join, stay longer, and exert more efforts toward company goals (Greenberg, 2004; Lussier and Hendon, 2021; Parsi, 2017).

In addition to human, financial, and physical resources, the presence of a clear vision, mission, and value statements are critical components of a company's strategic planning process and are instrumental in achieving company goals and objectives (SHRM, 2012; Weiss, 2015; Welch and Welch, 2009). Collectively, they provide the information necessary to focus every employee on the company's goals and objectives (Lussier and Hendon, 2021). The ultimate purpose of a value statement is to encourage desired behaviours from company employees that positively impact the achievement of the company's mission and its goals. Leaders of a company can encourage these behaviours from its members with a value framework that guides members' behaviours (Richard, 2000). Although numerous studies have been conducted on workforce diversity-related issues (e.g., Kim et al., 2020; Porcena et al., 2020; Schneid et al., 2016; Armstrong et al., 2010), only a handful of studies have examined the correlation between diversity-related values and financial performance of companies (e.g., Hunt et al., 2015; Roberson and Park, 2009). Hence, this study intends to address the existing research gap using a large sample of companies across sectors listed on the New York Stock Exchange.

2 Literature review

The growth in the number of multinational companies (MNCs) has impacted diversity across organisations. For example, the 2006 World Investment Report issued by the United Nations reported 24 million workers in MNCs in 1990; by 2006, 62 million workers were employed in 77,000 MNCs with over 770,000 foreign affiliates. Further, the United Nation's Conference on Trade and Development (UNCTAD) database reveals that there are about 1,500 State-owned MNEs (1.5% of all MNEs) owning more than 86,000 foreign affiliates, or close to 10 per cent of all foreign affiliates (UNCTAD, 2017). This suggests that in addition to a highly diverse U.S. workforce, these publicly traded companies have more employees from overseas with different backgrounds, preferences, expectations, traditions, and cultures. As a result, workforce diversity is not a choice but is a requirement for organisational success (Tessema et al., 2017).

Diversity has been defined in numerous ways. Some scholars define diversity narrowly, yet others take a broader approach. For example, diversity refers to the varied backgrounds of company members in terms of gender, race, age, sexual orientation, and ethnicity (Verhulst and DeCenzo, 2019). Others definitions of diversity include: the existence of differences due to different types of people in an organisation (Lussier and Hendon, 2021); any perceived difference among people including age, race, religion, functional specialty, profession, sexual orientation, geographic origin, lifestyle, tenure with the company or position and other perceived difference (Mondy and Martocchio, 2016); a collection of individuals differing from each other on one or any number of dimensions including culture, values, education, gender, marital status and age (Church, 1995); the variety or multiplicity of demographic features that characterise a company's workforce, particularly in terms of race, sex, culture, national origin, handicap, age, and religion (Dessler, 2020); the interaction of different backgrounds, cultures, and generations into the same company (Richard and Johnson, 2001); differences between individuals on any personal attributes that determine how people perceive one another (Gonzales and Denisi, 2009); and policies and practices that seek to include people who are considered to be, in some way, different from the traditional members (Herring and Henderson, 2015).

Diversity can also be defined with primary or secondary dimensions. Primary dimensions of diversity include factors that are either inborn or exert extraordinary influence on early socialisation which include age, race, ethnicity, gender, physical and mental abilities, and sexual orientation. Secondary dimensions of diversity refer to factors that are important and help define individuals and include dimensions such as educational background, geographical location, income, marital status, military experience, parental status, religious beliefs, and work experience (Griffin and Moorhead, 2014). Snyder (2017) argues that the concept of diversity has broadened to include personality type, thinking style and other factors that influence how people perceive the world.

While diversity is about the ingredients, the mix of people and perspectives; inclusion is about the container, the place that allows employees to feel they belong, to feel both accepted and different. Meinert (2018) noted that while diversity is simply having representation; inclusion is when people get invited to be at the table. Belonging is the third piece of the diversity and inclusion effort and is the emotional connection that people feel to each other and to the organisation. Companies need a group of people who think differently - in a container that is safe to share those differences (Snyder, 2017). Workforce diversity is not just about mirroring the country's demographics, it is about innovation and performance (Parsi, 2017). Rock (2017) argues that companies get a lot more buy-in for diversity and inclusion when they emphasise the business case for its relevance.

The broad spectrum of diversity definitions suggests that there are many types of diversity classifications. A majority of the diversity characteristic classifications are based on perception and are dichotomous in nature. Some of the classifications are readily detectable/less observable, highly job-related/less job related, surface-level/deep-level, task-related/relations-oriented, and role-related/ inherent dimensions (Christian et al., 2006). The above definitions also suggest that diversity is more than equal employment opportunity (EEO) and affirmative action. Managing diversity means maximising diversity's potential benefits while minimising the potential barriers that can undermine the company's performance (Dessler, 2020). Diversity management, according to Mondy and Martocchio (2016), is ensuring that factors are in place to provide for and encourage the continued development of a diverse workforce by melding these actual and perceived differences among workers to achieve maximum productivity. It is much broader than simply not discriminating; it is about the ability of a company to effectively manage its diverse workforce (Richard and Johnson, 2001).

Companies differ in how they approach the challenges related to workforce diversity. Some companies define workforce diversity as a competitive advantage that brings in a wider pool of talent and greater insight into the needs and behaviours of their diverse customers. This implies that such companies have a policy of valuing diversity (Noe, Hollenbeck, Gerhart and Wright, 2021). The practice of valuing diversity has no single form; it is not written into law or business theory. Companies that value diversity may practice some form of affirmative action (Noe et al, 2021). Recently, many successful companies have introduced different HR practices in managing their workforce. Whatever their HR practices, these efforts are intended to make each individual feel respected and welcome. Many companies have policies that value understanding and respecting differences and try to hire, reward, and promote employees that demonstrate respect for others (Tessema et al., 2019). These actions can support EEO requirements by cultivating an environment in which employees feel welcome and able to do their best (Mondy and Martocchio, 2016).

Policies that organisations adopt flow from its vision, mission and values. A strong vision, authentic values and a relevant mission statement are critical components of the strategic planning process. While a mission is a clear, concise and enduring statement of the reasons for a company's existence today (Nagy and Fawcett, 2017), the vision is a statement about a company's desired state, where it wants to go, and is best stated in the future tense (Horwath, 2005). A value statement is a declaration that informs the workforce and customers about the company's top priorities and its core beliefs (Markgraf, 2016). Companies often use a value statement to help them identify with and connect to targeted consumers, as well as to remind the workforce about its priorities and goals (Welch and Welch, 2009).

Noe et al. (2021) argues that valuing diversity, especially in support of a company's mission and strategy need not be limited to the categories protected by law. Companies should go further and introduce progressive HR programs and policies that support conclusive efforts. Further, Herring and Henderson (2015) argue that companies should approach diversity and inclusion as a business imperative. For this reason, companies must prepare managers to recognise and embrace cultural differences. To fully maximise the contributions of the company's diverse workforce, management must commit to creating a culture that fosters mutual respect and understanding. This can be accomplished by valuing differences in the workforce, not only because of EEO laws, or because it is morally and ethically the right thing to do, or because it promotes good business practices, but also because when employees open their minds and hearts, they feel better about themselves (Verhulst and DeCenzo, 2019). The bottom line is that the presence of effective diversity values can play an important role in attracting, motivating, and retaining the right talent, which is an ongoing challenge as the needs of the business change over time.

Although companies have been taking a ‘melting pot’ approach to workforce diversity, which assumes that people that are different would somehow automatically want to assimilate, scholars find that employees do not set aside their lifestyle preferences and cultural values when they come to work (Robbins et al., 2017). The assumption of ‘melting-pot’ is being replaced by the recognition and celebration of differences. Those who do celebrate the differences are finding their companies more successful than their competitors (Bersin, 2017; Greenburg, 2004). Hence, diversity values have a significant impact on a 21st-century workplace that is innovative, diverse, fair, and competitive.

2.1 Factors affecting workforce diversity

The pervasiveness of diversity in the workforce is well documented. The question is: Why is the U.S. workforce becoming more diversified? Scholars have found many factors contribute to workforce diversity (Herring and Henderson, 2015; Christian et al., 2006; Verhulst and DeCenzo, 2019; Robbins et al., 2017). Historically, one of the main factors in promoting diversity is the USA. federal legislation prohibiting employment discrimination such as the American Civil Rights Act (1964, 1991), Age Discrimination in Employment Act (1967), and Americans with Disabilities Act (1990). As a result of increased legislation supporting workforce participation among all groups, females, and minorities have become the fastest-growing segments in the workforce. The declining birth-rate is a second factor that has led to an increase in the labor participation rate of women. The third factor is globalisation that has reduced barriers to immigration. The fourth factor is the business necessity or economic factors. Given the benefits of workforce diversity, many companies have been diversifying their workforce intentionally. Herring and Henderson (2015) also point out that publicly held for-profit businesses tend to have HR practices that are more subject to public scrutiny and thus, they have a more diverse workforce. The fifth factor is demographic change, which has increased elderly participation in the labour force. Given the increase in life expectancy in the USA (about 79 years in 2018), many Americans are working after the social security retirement age (currently 66 years and 2 months).

Despite the many changes in the workforce, there are proponents and opponents for embracing workforce diversity. Proponents of workforce diversity make a business case and claim that diversity pays; they try to justify their arguments by identifying a number of advantages, which subsequently influence the bottom-line of companies (e.g., Lussier and Hendon, 2021; Parsi, 2017; Richard, et al., 2004). Opponents of workforce diversity claim that diversity does not pay and try to justify their arguments by identifying the costs and challenges associated with incorporating workforce diversity efforts (Bateman and Snell, 2007; Schneider and Northcraft, 1999).

2.2 Advantages of diversity

Effective workforce diversity values can provide many advantages. For example, diversity can play an important role in recruiting, retaining, and motivating employees (Weiss, 2015) as well as attracting talented applicants (Avery et al., 2013; Glassdoor, 2016). More business opportunities can be created (Holladay and Quinones, 2008) resulting in more sales revenue, more customers, and higher profits (Parsi, 2017). It can provide products and service that appeal to larger and more diverse groups during the course of doing business (Bell et al. 2011; Avery et al., 2013) and can benefit the company by fostering more innovations, better decision-making, a larger talent pool, and a wider customer base (Cox, 1993; Ryan and Wessel, 2015). Diversity can provide a competitive advantage (Noe et al., 2021), and companies gain from employees that come from diverse backgrounds and think differently, which in turn has the effect of increasing creativity and innovation in the organisation (Lussier and Hendon, 2021; Pieterse et al., 2013). This can help in analysing problems from different directions and in different ways and discovering more of the aspects of the problem than would a single person or a more homogeneous work group (Mayfield and Mayfield, 2010). It can provide a company with greater knowledge of the preferences and consuming habits of a diversified market (Rice, 2014). Thus, smart companies reflect that reality in the collective composition of their employees and understand that yesterday's workforce cannot lead them into tomorrow (Eagle's Flight, 2016; Parsi, 2017).

A recent study by McKinsey and Co. reports that companies that exhibit ethnic and gender diversity are, respectively, 35% and 15% more likely to outperform those that do not (Parsi, 2017). This study further reveals companies in the top quartile of executive board diversity had returns on equity that were 53% higher than those in the bottom quartile. Moreover, companies with more female executives are more profitable according to a 2016 analysis of more than 20,000 firms in 91 countries (Parsi, 2017). Forbes (2011) found that 87% of executives from three global regions reported that workforce diversity increased productivity. Further, 87% reported business with diverse customers, 87% reported increased innovation and creativity, and 80% reported increased profitability. A SHRM survey also reports that while 78% of the respondents claimed that diversity practices have helped reduce costs, 74% of the respondents claimed that diversity practices improved the financial bottom line (Meisinger, 2005). A Gallup survey also shows that 61% of the respondents who placed their company's diversity efforts in the upper third of companies surveyed said they are extremely satisfied with their company (Leonard, 2006). According to Glassdoor (2014), 67% of active and passive job seekers say that when they are evaluating companies and job offers, it is important to them that the company has a diverse workforce. Although the above studies are encouraging, most of them offered no hard evidence in support of the perceptions. Much of the academic debate on the workforce diversity-performance relationship has provided argument rather than evidence.

2.3 Requirements for an effective workforce diversity program

As previously indicated, the advantages of workforce diversity and inclusion are not without challenges. The question is: What can be done to overcome these challenges? Because every person, culture, and business situation are unique, there are no simple rules for managing workforce diversity. However, scholars have provided several suggestions on how to improve the effectiveness of workforce diversity programs.

A company should commence its workforce diversity program by assessing the current state of affairs using employee attitude surveys, management and employee evaluations, and focus groups (Robbins et al. 2017). A company must also evaluate its workforce diversity and inclusion programs through employee attitude surveys to determine improvement in employees' diversity attitudes (Kearney et al. 2009). It must manage its workforce by evaluating workforce diversity program efforts, recruiting minority groups to the board of directors, and formally interacting with representative minority groups and networks (Avery et al., 2013; Jackson, 2017b). It must publicise its support to workforce diversity and take steps to foster workforce diversity (Herring and Henderson, 2015; Kirton and Greene, 2016), and be willing to devote the required resources to creating authentic diversity values and then live up to and include them in all company decisions (Dessler, 2020). Further actions companies can take include: incorporating diversity training that supports strategies to fully integrate all employees into the company's culture (Richard and Johnson, 2001); incorporating HR policies and practices that reinforce diversity such as training/development, work design, staffing and compensation (Armstrong et al., 2010; Kirton and Greene, 2016); making diverse employees feel included and their needs and preferences accommodated (Joshi et al., 2006; Mondy and Martocchio, 2016); creating an inclusive culture that values and uses the talents of all would-be members (Herring and Henderson, 2015); recognising and dealing with the different values, needs, interests, and expectations of employees (Kochan et al, 2003; Jackson, 2017b); and having workforce diversity and inclusion programs strongly supported by top-level management (Tessema et al., 2017).

In addition, organisations should ensure that their HR systems value the perspectives and experience that women and minorities contribute to company goals (Noe et al, 2021). Organisations can promote a culture that values diversity, knowledge and acceptance of cultural differences, and deal with employees' resistance to diversity (Bateman and Snell, 2007); make the workforce aware of unconscious bias and develop practices to mitigate (Bisoux, 2017; Snyder, 2017); develop patience, open-mindedness, acceptance, and cultural awareness (Mondy and Martocchio, 2016); teach managers about the legal framework for equal employment opportunity and how a diverse workforce will be better able to serve a diverse market of customers and clients (Mondy and Martocchio, 2016); create a more smoothly functioning and hospitable environment for the company's diverse workforce where people feel respected, productive and important (Herring and Henderson, 2015); support underrepresented employees through mentorships and employee resource groups (ERGs) (Parsi, 2017; Meinert, 2018); and make sure diversity is part of strategic goals (Meisinger, 2005).

Due to the many requirements of workforce diversity and its many advantages, one can argue that companies cannot afford to ignore or discount the potential contributions of women and minorities. Snyder (2017) concludes that thinking about diversity and inclusion in new and exciting ways should represent a win-win for employees and company leaders and is critical to organisational success.

2.4 Challenges of workforce diversity

Although workforce diversity and inclusion have the aforementioned advantages, there are many challenges associated with workforce diversity. Scholars have identified several challenges of workplace diversity including: lower cohesiveness, communication problems, unexamined assumptions, mistrust and tension, and stereotyping (Bateman and Snell, 2007); resistance to change, and problems associated with the successful implementation of workforce diversity policies (Greenberg, 2004); difficulties associated with making a company more accommodating to diverse groups of people by addressing different lifestyles, family needs, and work styles (Robbins et al, 2017); conflict and reduced cohesiveness measured by the intent and desire for group members to stick together in their action (Benard and Doan, 2011; Lussier and Hendon, 2021; Jehn, Northcraft, and Neale, 1999); and recognising that people with common, but different characteristics from the mainstream, often think, act, learn, and communicate differently (Mondy and Martocchio, 2016). An oft-quoted maxim is that diversity is being invited to the party, whereas inclusion is being asked to dance (Snyder, 2017).

Increasing cultural diversity in the workforce poses one of the most challenging HR and company issues of our time (Kearney et al, 2009). Schneider's (1987) attraction-selection-attrition hypothesis (ASA) suggests that companies tend to attract, hire, and retain similar types of people. This natural tendency to drive out diversity implies that companies desiring diversity must proactively develop mechanisms to ensure company heterogeneity (Richard and Johnson, 2001). For instance, Glassdoor (2014) reported that more than half (57%) of the respondents think that their company should be doing more to increase diversity among its workforce. Further, 41% of the respondents do not think their company has a diverse executive team, and 48% of respondents are not aware of initiatives to increase diversity within their organisation. It should be noted that achieving a truly diverse and inclusive workplace demands a lot of work. Problem's surface such as the biases people embrace on an unconscious level, that is, deep prejudices or stereotypes imparted by upbringing, culture, and mass media that influence perceptions about others (Bisoux, 2017; Snyder, 2017). It has been argued that diversifying the workforce is necessary, but not sufficient, which also requires further examination to determine the extent to which workforce diversity is correlated with the performance of a company.

While some studies found neither positive nor negative effect of workforce diversity on performance (Kochan et al., 2003), a few other studies portrayed a positive effect of workforce diversity on performance (Herring, 2009; Herring and Henderson, 2015; Ng and Tung, 1998; Williams and O'Reilly, 1998; Watson et al., 1993). Furthermore, some studies revealed a positive correlation between workforce diversity and performance (Armstrong et al., 2010; Backes-Gellner and Veen, 2013; Ng and Tung, 1998; Herring, 2009). Based on the above research findings, the following hypothesis is proposed:

H1 Diversity related values statements will be positively correlated with companies' financial performance.

Armstrong et al. (2010) underscored that when a diverse workforce is effectively treated and managed by employers and is managed in ways that commit to investing in people and treating them fairly, greater motivation will follow, which in turn will lead to performance gains for the company. In other words, although workforce diversity appears to create additional coordination and control costs, these negative effects may diminish with time and are offset by better quality and more creative decisions (Herring and Henderson, 2015; Williams and O'Reilly, 1998). It has been argued that when companies effectively manage their diverse workforce, they are more likely to have higher performance (Herring and Henderson, 2015; Ng and Tung, 1998) regardless of the sector in which they operate. On the basis of the above discussions, the following hypothesis is forwarded:

H2 Diversity related values statements will be positively correlated with companies' financial performance regardless of the sector in which they operate.

3 Research methodology

3.1 Sample

This study uses values statements randomly collected from 249 companies listed on the New York Stock Exchange (NYSE). The sample companies had 1,419 corporate values statements (39 of which were deleted), then categorised into 51 value classes. The 51 value classes were grouped into the following seven value dimensions: Commitment to diversity, commitment to customers, commitment to shareholders, commitment to employees, commitment to integrity, social responsibility, and entrepreneurship (Tessema et al., 2019). In addition, the sample companies were grouped into three sectors: Primary (agriculture, extraction of raw materials, etc.), secondary (manufacturing), and tertiary (service). This study uses the following four indicators of financial performance of the sample companies: 2-year stock price changes, 5-year stock price changes, the price to earnings ratio, and price to sales ratio.

3.2 Data analysis

In this study, we employed several methods of data analyses such as frequency distributions, descriptive statistics, and a correlation matrix (Tables 1–4).

Table 1 Descriptive statistics of commitment to diversity

Value dimensions	*SD*	*No. of value statements*	*% of value statement*	*No. of companies with value dimensions*	*% of companies with value dimensions*
Commitment to diversity	0.84	192	13.91	142	57.03
Commitment to integrity	1.12	341	24.71	213	85.54
Commitment to customers	0.89	238	17.25	159	63.86
Commitment to employees	0.82	175	12.68	129	51.81
Commitment to stakeholders	0.67	141	10.22	113	45.38
Entrepreneurship	0.72	164	11.88	130	52.21
Social responsibility	0.66	129	9.35	104	41.77

4 Results

This section presents the findings of the statistical analyses. Table 1 reports the results of the descriptive statistics of the value dimensions. As revealed in Table 1, out of 1,380 value statements of the 249 sample companies, 192 (14%) of them were related to diversity, which makes the diversity value dimension the third top value dimension, following commitment to integrity and commitment to customers. Likewise, 142 out of 249 companies (57%) have clearly stated diversity-related value statements.

Table 2 shows the frequency distribution of the seven value dimensions among three sectors. As displayed in Table 2, about two-thirds of the companies are in the manufacturing sector. In addition, 157 of the 1089 value statements are related to diversity. While companies in the secondary (manufacturing) sector have about 64% diversity-related value statements; companies in the tertiary (service) sector have about 27% diversity-related value statements, and companies in the primary sector (raw materials) have about 9% diversity-related value statements.

Table 2 Frequency distribution of commitment to diversity among three sectors

Value dimensions	*Primary sector*		*Secondary sector*		*Tertiary sector*		*Total*	
	N (value class)	*%*	*N (value class)*	*%*	*N (value class)*	*%*	*N (value class)*	*%*
Commitment to diversity	14	8.9	100	63.7	43	27.4	157	100
Commitment to integrity	25	9.0	178	64.0	75	27.0	278	100
Commitment to customers	8	4.3	135	71.8	45	23.9	188	100
Commitment to employees	10	7.5	97	72.4	27	20.1	134	100
Commitment to stakeholders	7	6.6	72	67.9	27	25.5	106	100
Entrepreneurship	9	6.8	98	73.7	26	19.5	133	100
Social responsibility	10	10	63	67.7	20	21.5	93	100
Total	83	7.6	743	68.2	263	24.2	1089	100

Table 3 reports the correlations between the commitment to diversity value dimension and the financial performance of the sample companies as measured by two and five-year price changes as well as price-to-earnings ratio and price to sales ratio. As shown in Table 3, the commitment to diversity value dimension is positively correlated with the four financial indicators of the sample companies (r ranges between 0.023 and 0.066), although not statistically significant.

Table 4 shows the correlations between the commitment to diversity value dimension and sector type. The finding reveals that, while commitment to diversity value dimension is positively correlated with primary sector ($r = 0.046$) and tertiary sector ($r = 0.089$); it is negatively correlated with secondary sector ($r = –0.107$).

Table 3 Correlation matrix - commitment to diversity and financial performance

N	*Value dimensions*	*Mean*	*SD*	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*	*11*
1	Commitment to customers	0.97	0.89	1										
2	Commitment to diversity	0.80	0.84	–0.096	1									
3	Commitment to employees	0.68	0.82	0.150*	–0.077	1								
4	Commitment to stakeholders	0.54	0.67	–0.045	–0.162*	0.106	1							
5	Entrepreneurship	0.66	0.72	–0.062	–0.010	0.071	0.146*	1						
6	Commitment to integrity	1.42	1.12	–0.169*	0.236**	0.055	0.011	0.029	1					
7	Social responsibility	0.47	0.66	–0.005	–0.134	0.145*	–0.015	–.116	0.056	1				
8	5-year stock price changes	1.52	0.89	0.107	0.045	0.028	–0.058	0.015	–0.010	–0.158*	1			
9	2-year stock price changes	0.99	0.37	0.114	0.046	0.005	–0.096	0.132	0.020	–0.044	0.689**	1		
10	Price to earnings ratio	24.73	103.71	0.003	0.023	0.027	0.040	–0.052	–0.016	0.051	–0.033	–0.038	1	
11	Price to sales ratio	1.28	1.01	–0.050	0.066	0.031	0.008	0.152*	–0.020	0.016	0.337**	0.430**	–0.032	1

Note: *Correlation is significant at the 0.05 level (2-tailed), **Correlation is significant at the 0.01 level (2-tailed).

Table 4 Correlation matrix – commitment to diversity and sector type

N	*Value dimensions*	*Mean*	*SD*	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*
1	Commitment to customers	0.97	0.89	1									
2	Commitment to diversity	0.80	0.84	–0.096	1								
3	Commitment to employees	0.68	0.82	0.150*	–0.077	1							
4	Commitment to stakeholders	0.54	0.67	–0.045	–0.162*	.106	1						
5	Entrepreneurship	0.66	0.72	–0.062	–0.010	.071	.146*	1					
6	Commitment to integrity	1.42	1.12	–0.169*	.236**	.055	.011	.029	1				
7	Social responsibility	0.47	0.66	–0.005	–0.134	.145*	–0.015	–0.116	.056	1			
8	Primary sector	0.077	0.267	–0.143*	.046	–0.006	–0.032	–0.026	.064	.084	1		
9	Secondary sector	0.689	0.464	0.080	–0.107	.063	–0.017	.084	–0.133	–0.018	–0.428**	1	
10	Tertiary sector	0.235	0.425	0.002	.089	–0.065	.038	–0.076	.105	–0.033	–0.159*	–0.824**	1

Note: *Correlation is significant at the 0.05 level (2-tailed), **Correlation is significant at the 0.01 level (2-tailed).

5 Discussion

In this study, about 57% of the sample companies have publicised diversity-related value statements. This may suggest that the number of companies that are working to diversify their workforce has been increasing. Noe et al. (2021) stated that many the USA. companies have already committed themselves to ensure that they recognise the value of workforce diversity and are using it to gain a competitive advantage. As indicated previously, having a diverse workforce and effective workforce diversity management can provide a number of advantages such as: fostering a larger pool of ideas and experiences (Griffin and Moorhead, 2014); providing a company with greater knowledge of the preferences and consuming habits of a diversified market (Rice, 2014); supporting a broader range of services (Greenberg, 2004); providing more effective service to customers on a global basis (Kreitz, 2008); meeting business strategy needs and the needs of customers more effectively (Heneman et al. 2019); helping businesses increase market share (Kerby and Burns, 2012); supplying a greater variety of solutions to problems in service, sourcing, and allocation of resources (Griffin and Moorhead, 2014); increasing adaptability in the marketplace (Kelly et al., 2004); and generating a variety of viewpoints (Herring and Henderson, 2015).

The findings of the current study show that diversity-related values statements are found to be positively correlated with the financial performance of the sample companies, as indicated by two and five-year price changes and price-to-earnings and sales ratios (Table 3). Hence, Hypothesis 1 is supported. It must also be noted that, although their correlation is positive, their strength is weak. The findings are consistent with some previous studies (Armstrong et al., 2010; Herring, 2009: Ng and Tung, 1998). The current study also reveals that diversity-related values statements are positively correlated with two sectors, namely primary and tertiary. And thus, it partly supports Hypothesis 2, in that, diversity-related values statements can be positively correlated with the performance of companies regardless of the sector in which they operate.

Tables 3–4 did not report statistically significant results. Some of the possible explanations for the findings are as follows: First, there are many factors that influence financial performance of publicly traded companies (Pandey, 2015), and diversity-related value statements are just one of those factors that influence the financial performance of companies. Kochan et al. (2003) acknowledge that it is extremely difficult to objectively measure the effect of workforce diversity on financial performance for it is extremely complicated to isolate other possible factors that impact the financial performance of companies. Second, companies diversify their workforce for many reasons such as legal, moral, and economic/financial reasons (Kerby and Burns, 2012; Rice, 2014; Griffin and Moorhead, 2014; Heneman et al., 2019), and thus financial reason is just one of the many reasons for workforce diversity.

6 Conclusions and implications

This study concludes that the majority of the sample companies have publicly stated diversity- related value statements. This suggests that companies have started to realise the importance of emphasising diversity related values. This study also concludes that diversity-related value statements are positively correlated with the financial performance of the sample companies, although their correlation is not statistically significant.

Another important finding of the current study is that no significant differences were found between the commitment to diversity value dimension and the three sectors. This finding may imply that, nowadays, companies have started to give due attention to diversity-related values regardless of the sector where they operate for, they believe diversity-related values have a positive contribution to their bottom line. This, however, does not mean that having a diverse workforce is without a challenge. This study argues that as the workforce becomes more diverse, organisations managing a divorce workforce should expect both opportunities and challenges, and organisations that are able to effectively manage a diverse workforce are more likely to get a myriad of benefits. This study extends previous research on workforce diversity by examining the correlation between diversity-related value statements and the financial performance of publicly traded companies. This study has merit because, unlike most previous studies, it has attempted to test not only the diversity value dimension and the financial performance of publicly traded companies but also examines this dimension across sectors. Limitations of the study include that it does not test the validity of the diversity-related value statements. Future research therefore should try to validate the authenticity of diversity-related values statements of publicly traded companies.

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