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Diversity: a matter of reality or perception?

Abstract

Purpose: While extant literature is replete with studies on actual diversity, research on perceived diversity is scant. We examine perceived diversity as an underlying mechanism explaining the effect of actual diversity on affect-related outcome (employee well-being).

Design/methodology/approach: 617 full-time employees from large organizations representing varied industries in India have participated in the survey-based study. We used PROCESS macro for mediation analysis.

Findings: An index estimating actual surface-level diversity was found to correlate significantly with perceived surface-level diversity. Perceived diversity was found to significantly impact employee well-being, thereby, demonstrating its mediating role in the link between actual diversity and well-being.

Research limitations/implications: Beyond the underlying processes of diversity effects such as diversity perceptions, contextual factors conditioning diversity effects need exploration.

Practical implications: Investigation of both actual and perceived diversity improves the explanation of diversity effects. Besides compositional mix, managers must tap on employee perceived differences to understand and leverage diversity and its effects.

Originality/value: Besides contributing to the emerging interest in empirical examination of perceived diversity on employee outcomes, this study develops an index to estimate actual surface-level diversity.

Keywords: Actual surface diversity; demographic diversity; perceived diversity; well-being

Introduction

Work dynamics has witnessed an inevitable change in the past few decades owing to two emerging trends in the organizational environment. Demographic changes in the workforce composition such as increasing employee migration transcending national and international boundaries, growing generational gap and confluence of people with varied cultural characteristics, are rendering organizations more and more heterogeneous (van Knippenberg and Mell, 2016). In addition, creating a positive and exciting work culture, reducing employee stress and boosting their well-being is receiving increased managerial attention (Kossek *et al.,* 2012). While both these trends developed exclusively and independently aiming at improving organizational productivity, we highlight how these may be pursued mutually.

Extant literature indicates negative impact of diversity on employee affective experiences such as low job satisfaction, commitment and well-being (Nair and Vohra, 2015; Wesolowski and Mossholder, 1997; Wilks and Neto, 2013). Examining diversity's affective effects is critical as social category dissimilarity often triggers feelings of alienation, inadequacy, insignificance, exclusion and low well-being (Mor Barak and Levin, 2002; Patrick and Kumar, 2012). Such effects are indisputably contradictory to the spirit with which diversity is infused in organizations. Thus, an integration of these two developing trends is

1

more essential than ever before in contemporary times.

The current study contributes to diversity literature by examining a process that is often assumed to occur, but rarely measured – *perceptions of diversity*. Although past empirical research often invokes diversity perceptions as an underlying mechanism to explain actual diversity effects (Williams and O'Reilly, 1998), we separately measure both in the present study. Some scholars contend that objective measures of diversity may not be identical to the diversity perceived by employees and that perceptions are more relevant in explaining diversity effects (Acar, 2010; Allen *et al.*, 2007; Harrison *et al.*, 2002; Hentschel *et al.*, 2013; Shemla *et al.*, 2016; Zellmer-Bruhn *et al.*, 2008). Examining perceptions as underlying mechanisms of the observed effects of diversity will provide 'insights into how these characteristics operate as social phenomenon' (Riordon, 2000; p. 161). In the present study, we test the mediating role of perceived diversity in the actual diversity- well-being relationship.

In the following sections, we present the study framework and test the hypotheses. Subsequently, we discuss managerial implications and outline the scope for further research.

Theory and hypotheses

Surface diversity

Diversity often reflects dissimilarity among individuals evoking a perception that one's peers are different from oneself (Guillaume *et al.,* 2014; van Knippenberg and Schippers, 2007). Demographic or social category diversity denotes differences in attributes such as age, gender or ethnicity. These readily observable attributes are often called 'surface-level diversity' because individuals can make a fair estimate of the age, gender or ethnic background of others and therefore, assess the level of (dis)similarity with themselves (Harrison *et al.*, 2002). *We operationalize diversity as employee's perceived dissimilarity with their co-workers on surface-level attributes.* Besides gender and age, surface diversity attributes salient in the Indian context are marital status, religion, first language and state of origin.

Diversity literature often invokes social categorization theory (Tajfel, 1982) and similarity/attraction paradigm (Byrne, 1971) to explain diversity effects. According to the social categorization theory, individuals in a given situation employ any salient visible characteristic (such as age, ethnicity or gender) to categorize themselves and others into social classifications "us" versus "them". Individuals have a 'natural tendency to use categories to simplify their world of experiences' (Williams and O'Reilly, 1998, p. 81) by ascribing specific attitudinal or behavioural patterns to each category. In- and out-groups are formed wherein out-group members are perceived to be less trustworthy and less cooperative than in-group members. Prejudice based on self-versus others categorization, often hampers interpersonal processes vital for smooth organizational functioning and productivity. In a similar vein, the similarity/attraction paradigm posits that the degree to which individuals perceive themselves to be similar/ different from others often determines social processes. Similarity based on specific demographic attributes increases interpersonal liking and attraction. This increases interaction among similar others making the interactions more desirable and positively reinforcing. Reinforcement of one's beliefs and attitudes helps maintain a positive self-identity and self-esteem.

While performance and cognitive effects of diversity are the most preferred outcomes in extant literature, there is a need to explore affective outcomes of diversity (Jackson *et al.,* 2003). In their empirical work, Finn and Chattopadhyay (2000) found that diversity based on ethnicity negatively related to an individual's self-esteem. Hofhuis and colleagues' (2012) study revealed that cultural diversity led to negative social processes, such as conflict, miscommunication, and discrimination; thereby dissimilar employees experiencing less job

2

satisfaction, commitment and high tendency to withdraw from work (Cunningham and Sagas, 2004; Findler *et al.*, 2007; Liao *et al.*, 2004; Patrick and Kumar, 2012). Hence, literature indicates demographic dissimilarity among organizational members to have unfavorable impact on employee affective outcomes.

Employee Well-Being (EWB)
Well-being encompass a breadth of wellness including positive self and life evaluations, a sense of self-determination, personal growth and development, belief in the purpose of life, good interpersonal relationships and capacity to deal with life and others successfully (Ryff, 1989). Well-being is an overall positive state of an individual comprising dimensions such as physical, emotional, occupational and spiritual (Kowalski and Loretto, 2017). Well-being at work forms an integral part of an individual's overall well-being (Haile, 2012; Wilks and Neto, 2013). The work people carry out becomes central to their self-concept and shapes their identity. Owing to the spill-over effects of well-being dimensions on one another, individual's engagement and fulfilment with their day-to-day work have a propensity to strongly impact their overall well-being.

It is important for organizations to consider well-being as a crucial aspect of business because emerging research indicates benefits of high EWB on several individual and organizational outcomes (Kowalski and Loretto, 2017; Morse, 2012; Taris and Schreurs, 2009). Employees reporting a high well-being outperformed those low on well-being in outcomes such as sales by 37%, productivity by 31%, were three times more creative, ten times more engaged and health-care cost lowered by 40% (Achor, 2012; Hosie and Sevastos, 2009; Lyubomirsky *et al.*, 2005). Further, Wright and Bonett (2007) found that a one-point increase in reported well-being (with well-being measured on a 7-point scale) doubled the probability of the employee retaining with the organization. Turnover cost per employee was found to be two times the average yearly salary (Wright and Huang, 2012). Taris and Schreurs (2009) and Hosie and Sevastos (2009) found organizational and job performance to be significantly related to the average level of employee well-being. Such findings elucidate that EWB directly translates into the bottom-line of the organization and hence employers should consider it as having strong business implications.

Employees in contemporary Indian organizations relate their well-being with aspects such as workplace safety, relationships, type of work and work environment (Jaiswal and Dyaram, in press; Sinha, 2011). Indian cultural values of *sneh-shraddha* (amicable personal relations with peers and higher-ups) make social support an important aspect of well-being (Sinha, 2014). Further, occupational health and safety is an important aspect contributing to well-being of Indian employees (Rajaprasad and Chalapathi, 2015). In addition, working conditions, pride, and engagement are cited to be salient for EWB in India (Gurtoo, 2016; Sinha, 2011). Employee well-being, therefore, is operationalized as *well-being drawn from employee work environment and work characteristics*.

Actual and perceived diversity
Basis diversity literature, it is important to highlight that the observed diversity effects were a result of actual demographic dissimilarities present in the firm. Actual diversity is derived by adopting the Euclidian distance approach (for categorical attributes such as gender) or the coefficient of variation approach (for continuous attributes such as age). Findings of actual diversity are most often explained by perceptions of demographic dissimilarity. Yet, perceptual approach to diversity which directly seeks perceptual data from respondents on how similar they think they are in demographic characteristics to others (for example, Kirchmeyer, 1995), has received less scholarly attention (Shemla *et al.*, 2016). This approach highlights that perception of social category dissimilarity and not the actual demographic

3

differences predicts diversity effects. To obtain a multidimensional view of diversity and additional insights into diversity outcomes (Allen *et al.,* 2007), it is essential to fully operationalize the construct of demographic diversity (Riordan, 2000), by measuring diversity through actual and perceptual methods. Hence, we signify actual and perceived dissimilarity as related constructs leading to the following contention:

Hypothesis l: Actual surface diversity positively relates to employee's perceived surface diversity.

Perceived diversity and Employee well-being
Diversity is often credited with improved performance and creativity, however, Milliken and Martins (1996) have symbolized diversity as a 'double-edged sword' as it reduces cohesion, cooperation and integration (Mohammed and Nadkarni, 2011; Nakui *et al.*, 2011; Srikanth *et al.*, 2016). This process loss results in detrimental employee outcomes such as increased conflict and employee turnover, reduced commitment, satisfaction and well-being (Findler *et al.*, 2007; Mor Barak and Levin, 2002). Examining detrimental impact of diversity on affect becomes essential as perception of differences among dissimilar individuals often invoke feelings of insignificance, insecurity and inadequacy (Daya, 2014; Mor Barak *et al.*, 2003). Individuals experience acculturative stress i.e. emotional instability/conflict while trying to assimilate or integrate with others who are different from themselves. This further creates identity clashes or dual-identity issues, thereby increasing the possibility of shackling intra personal experiences (Guillaume *et al.*, 2014; Oerlemans *et al.*, 2008; van der Zee *et al.*, 2004). These psychological processes have a significant impact on intrapersonal experiences of an individual and need to be systematically explored (Roberson *et al.*, 2017). Addressing the call for research on affective diversity effects (Jackson *et al.*, 2003; van Knippenberg and Schippers, 2007), we focus on well-being which is an important goal in itself.

Studies that have examined the impact of diversity on well-being, have reported unfavorable effects. Haile (2012) and Wilks and Neto (2013) found gender and age diversity to correlate respectively with lower job-related well-being. In a similar vein, Enchautegui-de-Jesus and colleagues (2006) found ethnically diverse employees reporting low levels of psychological well-being. Employees perception of demographic differences render them psychologically insecure, less valued and excluded from various organizational processes such as decision making, access to information and resources (Mor Barak and Levin, 2002). This sense of insecurity and exclusion negatively influences their well-being. Hence, we posit that:

Hypothesis 2: Employee perceived surface diversity negatively impacts their well-being

Mediating role of perceptions
The logical premise of the first two hypotheses necessitates a third proposition: if actual diversity impacts perceived diversity and perceived diversity impacts well-being, then perceptions play a mediating role in the actual diversity and well-being relationship. Harrison *et al.* (2002) showed perceptual measures to be significant markers of actual demographic diversity attributes and found perceived diversity to mediate the effects of objective diversity on social integration.

Zellmer-Bruhn *et al.* (2008) argued that actual social category diversity leads to formation of perceptions of diversity. These perceptions often are less susceptible to change as individuals do not easily move in or out from a particular social category. Likewise, Acar (2010) underscored that individual's reaction towards dissimilarity is based on perceptions rather than reality *per se*. Building on these empirical studies, we posit that perceptual

4

counterparts of actual diversity attributes explain employee affective experiences at work.

Hypothesis 3: Perceived surface diversity mediates the link between actual surface diversity and employee well-being.

Method
Sample

617 full-time professionals from large private organizations in India have participated in the survey-based study. Study respondents had more than five years of total work experience and more than three years of tenure in the present organization. Such tenure will familiarize employees with organizational members, policies and practices. We contacted business and human resource heads of these firms for their consent in administering the self-report questionnaire. 987 employees agreed to participate and 654 employees responded, yielding a response rate of 66.26%. Post data screening for incomplete or missing data, we retained 617 valid responses.

Measures
Actual Surface Diversity. Besides age, gender is a key diversity attribute in the present study context, owing to women increasingly joining the Indian workforce (Buddhapriya, 2013; Kundu and Mor, 2017; Nair and Vohra, 2015). Ethnicity, a common measure of cultural identity, refers to multiple aspects such as place of birth, first language and religion (Kirchmeyer, 1995). In India, each of these demographic attributes hold distinct significance; thus, we treat these as separate social categories than combining all into a single attribute of ethnicity. Although India is secular, different religious beliefs contribute significantly to religion-based categorization (Gebert *et al.*, 2011). Conflicts over linguistic rights have a deep influence on employees leading to language-based categorization (Kulkarni and Sommer, 2015). State of origin/ domicile further contributes to individual's identity and salience (Haq, 2012; Ratnam and Chandra, 1996). We also consider marital status as a basis of workplace categorization owing to expectations of work relationships such as availability for weekend meetings (Price *et al.*, 2006). Thus, in the present study, diversity on gender, age, religion, marital status, language and region mark surface diversity. To obtain a measure of 'actual surface diversity', we considered the larger context in which organizations are embedded such as industry and society (Guillaume *et al.,* 2014; Joshi and Roh, 2009). We collected data on demographics and societal compositions of various diversity attributes through secondary sources.

Actual Surface Diversity Index. For each of the six demographic attributes, the sample was dichotomized into 0 to indicate 'low diversity' or 1 to indicate 'high diversity'. According to the Confederation of Indian Industry (CII), sectors leading in women employment are healthcare/ pharmaceutical and banking, with about 40% of the workforce being women (Salve and Tewari, 2015), whereas in other sectors, women in the workforce range from 16.3% (automobile and engineering industries) to 33% (hospitality). Accordingly, women respondents in our data set representing health care and banking industries were assigned a diversity score of '0' and women respondents from other sectors were assigned '1'. Next, 80% of the Indian workforce is reported to be under 40 years of age (Deshpande, 2013; Motkuri, 2009). Conforming to this representation, respondents in our data set were assigned '0' for under 40 and '1' for above 40. According to the Census of India (2011), 80.5% Indians believe in Hinduism. Accordingly, Hinduism is assigned '0' and other religions as '1'. Since more than 80% of the Indian working population is wedded (Deshpande, 2013), married respondents were assigned '0' and other marital status categories such as single or

5

divorced were assigned '1'. Basis 29 states of India, historically divided on language, we noted each state with its native language (as spoken by majority of people) and referred as 'first language'. If the respondent's reported language and the main language spoken in that region was same, then we assigned a diversity score of '0' else '1'. Likewise, if the state of domicile matched with the respondent's reported work location, then we assigned '0' else '1'. Table 1 demonstrates the sample characteristics and summarizes the method used for assigning diversity scores to various demographic attributes. Each attribute was given equal weightage in the actual surface diversity index ranging from 0 to 1.

Insert Table 1 about here

Perceived surface diversity. We adapted items from Harrison *et al.* (2002) and Kirchmeyer (1995) scales by incorporating items on diversity attributes unique to India such as first language, and state of domicile. Respondents indicated how often they worked with dissimilar others on 6 surface diversity items on a 5-point scale ranging from Never to Always. Sample item includes, 'For my work, I interact with others whose first language differs from mine'. Cronbach's alpha for this measure was found to be 0.79.

Employee well-being. We adapted 10 items from Warr *et al.*'s (1979) Perceived Intrinsic Job Characteristics scale to measure work characteristics, 10 items from Haynes *et al.*'s (1999) Manager and Peer Support scales to measure interpersonal relationships and 10 items from Hayes *et al.*'s (1998) Management Safety Practices scale to seek perception of working conditions. All items were measured on a 5-point scale from Strongly Disagree to Strongly Agree. Sample item includes, 'My management provides safe working conditions'. Post Confirmatory Factor Analysis (CFA), ten items were retained with Cronbach's alpha of 0.84.

Confirmatory Factor Analysis and caution against Common Method Bias

We performed Confirmatory Factor Analysis (CFA) using SPSS AMOS 22 and used conventional cut-off values to assess model fit (i.e., normed chi-square < 3, comparative fit index (CFI) > 0.90, goodness of fit index (GFI) > 0.90, Root Mean Square Error of Approximation (RMSEA) < 0.06, Standardized Root Mean square Residual (SRMR) < .08; Tims *et al.*, 2013). The study data fits in well with the proposed measurement model depicted by the fit indices (normed chi-square = 2.10, CFI = 0.92, GFI = 0.94, RMSEA = 0.04, SRMR = 0.04).

Self-reported data often submits to common method bias (CMB). However, when the study variables are perception-based, self-report measures are the most appropriate method and self-report measures of perceptions are not uncommon in management literature (Acar, 2010; Zellmer-Bruhn *et al.*, 2008). Employees are best suited to report their perceptions of diversity and well-being. Besides, we sought objective data on demographics in order to obtain a holistic view of diverse employee characteristics. Further, we employed multiple procedural remedies to limit CMB such as ensuring respondents anonymity and randomizing the order of items in the questionnaire (Podsakoff *et al.*, 2012). Additionally, we conducted Harman's single-factor post-hoc test wherein CMB poses a concern if a single factor that accounts for majority of variance emerges. In the present study sample, the single factor accounted for 20% of total variance, thus indicating that CMB does not appear to be a major issue.

Results

In the present study, we created an index to assess employee dissimilarity based on actual demographics followed by measuring their perceptual counterpart. We also tested whether perceptions played a mediating role in the actual diversity and well-being relationship. Table 2 provides the descriptive statistics and correlations for all the study variables.

Insert Table 2 about here

Direct effects

We found actual surface diversity to positively relate to perceived surface diversity, supporting Hypothesis 1. Notably, we found a positive relationship between perceptions of diversity and well-being, as opposed to the proposed negative relationship in Hypothesis 2. Table 3 demonstrates the regression results.

Insert Table 3 about here

Indirect effects

Hypothesis 3 posits perceived surface diversity to mediate the link between actual diversity and employee well-being. We carried out mediation analysis using Hayes and Preacher's (2010) Model 4 approach, with a bootstrapping procedure for testing indirect effects. Our results satisfied all the three conditions of mediation (Baron and Kenny, 1986): actual surface diversity significantly predicted perceived surface diversity (*coeff* = 0.42, *t* = 2.89, *p* = 0.004), perceived surface diversity significantly predicted EWB (*coeff* = 0.18, *t* = 5.37, *p* = 0.000) and without the mediating role of perceived surface diversity, the link between actual surface diversity and EWB was not significant (*coeff* = 0.09, *t* = 0.76, *p* = 0.45). Table 4 indicates the significant indirect effects of actual diversity on well-being through perceived diversity. Mediation is significant (support for Hypothesis 3) as the bootstrap estimates of the indirect effects fall within the confidence interval which does not include zero.

Insert Table 4 about here

Discussion

We proposed to measure surface-level diversity in two ways: actual and perceived. This was done in accordance with the central idea that empirically evaluating individual's both objective diversity and subjective experiences of diversity are necessary in creating a holistic understanding of how social category diversity influences employee affective outcomes. We found a significant association of actual surface diversity to their perceptual counterparts attesting the salience of these actual differences in framing perceptions of dissimilarity. Most theoretical underpinnings of diversity research are based on the assumption that actual diversity forms perceptions of dissimilarity which in turn impacts various outcomes. However, barring Harrison *et al.* (2002), we found no study explicitly measuring and correlating both these objective and subjective dimensions of social category diversity. Regression results demonstrated a significant positive relationship between actual and perceived diversity supporting hypothesis 1.

We also found support for hypothesis 2 that perceived diversity will impact well-being. However, the direction was positive as opposed to the proposed negative relationship. Over the past two decades, several reviews of diversity literature (Guillaume *et al.*, 2014; Milliken and Martins, 1996; van Knippenberg and Schippers, 2007; Williams and O'Reilly,

7

1998) have echoed detrimental affect-related processes and outcomes such as decreased cohesion, integration, lower job satisfaction and commitment. Accordingly, we expected employees to report lower well-being while working with dissimilar others. However, our results revealed a contrasting picture i.e. perception of demographic diversity bolstered well-being. *Ironic processes theory* (Wegner, 1997) may explain our results. It states that 'attempts to influence mental states require two concurrent processes to occur: an intentional and conscious operating process that searches for the mental contents that will yield the desired state and an 'ironic' monitoring process that remains in the background of consciousness and searches for contents that signal the failure to achieve the desired state' (Acar, 2010, p. 1745). In the present study, it is plausible that employees are engaging in conscious efforts to suppress stereotypes arising from demographic differences that often hamper social processes and work outcomes. Contemporary organizations not only endorse diversity agenda but also actively sensitise their employees on potential ills of prejudice and stereotyping at work (Patrick and Kumar, 2012; Sabharwal, 2014; Zhang and Goldberg, 2013). Our sample comprised employees of large organizations having global footprints and most of these organizations have been promoting diversity as a "value" beyond mere diversity representation. These organizations sensitize their employees towards individual dissimilarity through various diversity and inclusion training (Dreachslin, 2007; Groysberg and Connolly, 2013; Nair and Vohra, 2015; Sabharwal, 2014). Often such conscious mentoring helps in creating awareness among employees to leverage diversity towards positive outcomes. Another possible explanation for the positive association is that diversity is perceived as *variety* (Harrison and Klein, 2007) wherein individuals acknowledge the differential strengths and talents among various social categories. Our respondents perhaps acknowledge and value the distinctiveness of varied demographic diversity; hence, we found overall positive levels of well-being.

Perceptions of diversity are often first formed based on what people readily notice about; such as gender or age (Acar, 2010; Allen *et al.,* 2007; Zellmer-Bruhn *et al.,* 2008). Study findings exhibit that actual demographic dissimilarities evoke perceptual differences which influence diversity outcomes. Accounting for these perceptions in addition to actual diversity characteristics can provide deeper insights into how diversity influences employee affective experiences. This contention was formulated as hypothesis 3 and we found empirical support for it. Perceptions of diversity mediated the relationship between actual diversity and well-being. Conventional theories such as social categorization have implicitly stated that individuals categorize based on readily observable differences leading to various outcomes. However, the underlying mechanism of these outcomes was not adequately explored (Roberson *et al.*, 2017). We assert that these diversity outcomes result from perceptions of dissimilarities caused by overt demographic differences. Including perceptual measures as salient markers of actual diversity, will enhance researchers' ability to account for diversity effects.

Implications

Our study contributes to diversity literature in three key ways. First, we included a broad range of demographic diversity attributes, from conventionally examined facets such as age and gender to those attributes that are more relevant in the Indian context such as language, religion, marital status and state of domicile, towards responding to researcher's appeal to create indigenous diversity management scholarship (Klarsfeld *et al.,* 2014; Nishii and Özbilgin, 2007). Second, we measured both actual and perceived diversity towards enabling a comprehensive understanding of diversity effects. Third, as study data characterized an array

of industry types representing corporate India, we created an index for estimating actual surface diversity as extant index measures could not be applicable.

Our study findings have important implications for organizational members. Often researchers assess impact of diversity attributes on various outcomes with assumptions of perceptions related to those diversity characteristics (Kirchmeyer, 1995). Studies report that paradigms underlying visible diversity and its perceptions and attributions thereof are same (Jackson *et al.*, 2003). However, several researchers suggest that investigating perceptions than actual diversity will improve the explanatory power of diversity effects as perceptions of social environment create a stronger and direct impact on diversity outcomes as compared to the actual social environment itself (Acar, 2010; Harrison *et al.* 2002; Shemla *et al.,* 2016; Zellmer-Bruhn *et al.*, 2008). Hence, we explored actual diversity and well-being relationship through the perceptual lens of demographic diversity. Additionally, our results show that the amount of variance accounted for by actual demographic dissimilarity was small ($R^2 = 0.001$) but variance increased by 46% when perceived diversity was counted in. This is in line with Riordan's (2000) proposition that the use of perceived measures along with actual attributes may dramatically increase the amounts of variance explained in outcome measures. This increase in variance holds significant implications for managers – mere varied demographic mix cannot assure positive outcomes, whereas, the key is in understanding when and how employees begin to perceive differences in each other. There is a need for managerial understanding of both actual and perceived diversity towards effective people management and draw a competitive advantage.

Method wise, we sought data from real-time working professionals. Previous works have examined perceived diversity drawing heavily on student sample (Acar, 2010; Graves and Elsass, 2005; Harrison *et al.,* 2002; Zellmer-Bruhn *et al.,* 2008). Findings based on student sample have limited extension to actual workplace scenarios. In a 'real' organizational setting, individuals get to explore implicit and deeper effects of demographic diversity as opposed to working in an abstract academic environment. Furthermore, students' voluntary involvement in research studies cannot be comparable to employee's involvement in organizational processes. Respondents in the present study were members of large organizations with years of work experience and greater familiarization with their present organizational systems, structure and culture. This enables several opportunities to interrelate and work together with different others and thereby higher likelihood of categorizations and perceived differences (Zellmer-Bruhn *et al.,* 2008). Hence, such study sample brings more confidence and credibility to the findings in holding greater practical implications.

Further, little is known on individual's experiences of diversity, how social interactions and perceived differences are affected by diversity, and in turn affect their thinking, feelings and actions. Examining absolute and perceived diversity lends itself to greater awareness about how individuals, social groups and societies deal with diversity. This is important as schools, workplaces, and our country is rapidly witnessing mosaic of people with various racial, cultural and ethnic values, beliefs, experiences and backgrounds. With diversity as a *value*, this understanding will facilitate cohesion, collaboration and cooperation.

Limitations and directions for future research

While the study sample and findings have some meaningful implications with respect to diversity management, more complex modelling is necessitated to identify key conditions under which diversity will yield favorable results. Diversity phenomenon is operational at

9

Diversity: A matter of reality or perception?

multiple levels - individuals, dyads, teams, organizations and society. This multi-level dynamics warrants research attention towards considering *contextual factors* (such as nature of employee work, organizational culture or industry environment) intervening in the diversity-well-being relationship (Jackson *et al.*, 2003; Joshi and Roh, 2009). Future studies examining diversity's affective effects must view diversity with a contextual lens in order to explicate its effects holistically.

The present work based on cross-sectional survey may be complemented by longitudinal examination as perceptions are malleable owing to familiarity with organizational members (Harrison *et al.*, 2002; Zellmer-Bruhn *et al.,* 2008). Further, extant diversity research relies heavily on conventional paradigms such as social categorization and similarity/attraction. Mayo *et al.* (2016) suggested that 'empirical reality tends to relax the ideal conditions of diversity theories, rendering any single theory largely incomplete'. Hence, future scholars must limit over reliance on traditional theories and reflect on recent meta-theoretical and multi-level frameworks for a more nuanced understanding of diversity effects (Guillaume *et al.,* 2014; Mayo *et al.,* 2016).

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14

Diversity: A Matter of Reality or Perception

Table 1: Sample characteristics and assignment of diversity score

Diversity characteristic	Categories	% (N=617)	Diversity score
Gender	Women	18%	Sector dependent
	Men	82%	0
Age	≤ 40 years	70%	0
	> 40	30%	1
Religion	Hinduism	84%	0
	Others	16%	1
Marital Status	Married	79%	0
	Others	21%	1
Mother Tongue	Same as the main language spoken at work location	61%	0
	Different	39%	1
State of Domicile	Same as work location	75%	0
	Different	25%	1

Table 1: Descriptive Statistics and correlations

Variable	Mean	SD	1	2	3
1. Actual Surface Diversity	0.24	0.18	1		
2. Perceived Surface Diversity	4.02	0.65	0.12**	1	
3. Employee Well-Being	3.78	0.55	0.03	0.21**	1

**. Correlation is significant at the 0.01 level (2-tailed).

Table 1: Results of regression analysis

Regression	B	SE	β	t	F
Actual Surface Diversity on Perceived Surface Diversity	0.42	0.15	0.12	2.89	8.37[**]
Perceived Surface Diversity on Employee Well-Being	0.18	0.03	0.21	5.43	29.45[***]

***p < .001, **p < .01., degrees of freedom = 1

Table 4: Mediation effect of perceived surface diversity

Independent variable and mediator variable	Indirect Effect	Boot SE	Boot LLCI	Boot ULCI
Actual surface diversity and Perceived surface diversity	0.08	0.03	0.03	0.14

n = 1000 bootstrap samples