A STUDY ON THE EFFECT OF EQUAL OPPORTUNITIES ON ORGANIZATIONAL PERFORMANCE

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ABSTRACT

Human Capital is the greatest asset of any organization and the organization makes an obvious effort in getting people with different background, skills and abilities to work towards the goals or purpose of the organization. These goals or objectives are the intended outputs against which the actual output or results of the organization are measured, and this is termed as the 'Organizational Performance'. All the activities concerned with the organization and its performance are carried out by the diversely valued human assets. It has long been argued that equality of opportunity for these diverse set of employees yields high productivity and brings business benefits, thereby creating and sustaining a High Performance Organization (HPO) and that it is the employers' strategy to implement policies and practices to promote equality of opportunity. This article proposes a framework intended to depict an integrated approach of Organizational Performance and Equality of Opportunities for achieving greater business impact.

Keywords: *Equal Opportunity, Diversity, Goals, Productivity, Business Benefits, Organizational Performance*

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INTRODUCTION

A rapidly changing economic environment, characterized by such phenomena as the globalization and deregulation of markets, changing customer and investor demands, and ever-increasing product-market competition has become the norm for most organizations. To compete, organizations must continually improve their performance by reducing costs, innovating products and processes, and improving quality, productivity and speed to market.

According to Richard et al. (2009) Organizational Performance encompasses three specific areas of the organization's outcomes: Financial Performance (profits, return on assets, return on investment, etc.); Product Market Performance (sales, market share, etc.); and Shareholder Return (total shareholder return, economic value added, etc.). Specialists in all fields are concerned with Organizational Performance including strategic planners, operations, finance, legal, and organizational development.

In recent years, the Human Resources have attempted to link various HR policies and practices to Organizational Performance for better productivity and profits. Subsequently, the philosophy of Equal Opportunity is allied with the effort to ensure that the organizations make the most out of the differences from a diverse workforce rather than losing talent which assist the organization to be more efficient and effective (Bryan, 1999). The early 1990s saw the beginning of a shift from moral and social justice arguments for Equal Opportunities to an emphasis on business self-interest (Dickens, 1998).

EQUAL OPPORTUNITY – AN OVERVIEW

Equal Opportunity refers to the equality of access to jobs, promotions, and other opportunities in corporations, associations and non-profit organizations. Historically, the true beginning of the idea of Equal Opportunity can be traced to the Fourteenth Amendment (1868). This landmark constitutional doctrine did not address equal opportunity directly, but it did provide for equal protection under the law. In 1933, Congress passed the Unemployment Relief Act, which forbade discrimination in employment on the basis of race, color, or creed. In early 1961 President John F. Kennedy signed Executive Order 10925, establishing the President's Committee on Equal Opportunity.

The next stage was the passage of the Title VII Civil Rights Act of 1964, signed by President Lyndon Johnson, who sought to continue Kennedy's policies with his own set of programs called the Great Society that aimed at eliminating employment discrimination based on the usual litany of race, religion, sex, or national origin. Further, this has been amended on numerous occasions in the past 30 years, including the enactment of the Equal Employment Opportunity Act of 1972, the Pregnancy Discrimination Act of 1978, the Civil Rights Reformation Act of 1987, the Civil Rights Act of 1991, and the Family and Medical Leave Act of 1993.

EQUAL OPPORTUNITY – A CONCEPTUAL FRAMEWORK

Equal Opportunity is the principle of non-discrimination which emphasizes that opportunities in education, employment, advancement, benefits and resource distribution, and other areas should be freely available to all citizens irrespective of their Age, Race, Gender, Gender-Reassignment, Religion, Political association, Color, Ethnic Origin, Civil Partnership status, Disability, Nationality, Pregnancy and Maternity, Parental responsibilities or any other individual or group characteristic unrelated to ability, performance and qualification.

It is a stipulation that all people should be treated similarly, unhampered by artificial barriers or prejudices or preferences, except when particular 'distinctions can be explicitly justified'.

Equal Opportunity Dimensions

The extent to which Equality of Opportunity endures is:

- Fairness of Employment Practices
- Equality in Decision-Making
- Parity in Management and Leadership
- Information Access/Open Communication
- Integration of Differences

Equal Opportunity Policies

Devising policies that supports Equal Opportunity, emphasizes on:

- Promoting equality of opportunity for all persons

- Stimulating a good and harmonious working environment in which all persons are treated with respect
- Preventing occurrences of unlawful direct discrimination, indirect discrimination, harassment and victimization
- Fulfilling all legal obligations under the equality legislation and associated codes of practice
- Complying with own equal opportunities policy and associated policies
- Taking lawful affirmative or positive action, where appropriate
- Regarding all breaches of equal opportunities policy as misconduct which could lead to disciplinary proceedings

Equal Opportunity Practices

The Practices that influences Equal Opportunity in an organization are:

PAYBACKS OF INCORPORATING EQUAL OPPORTUNITY POLICIES AND PRACTICES

Successful Equal Opportunity policies and Equal Opportunity practices leads to occupational benefits through a number of intermediate outcomes:

Improved Recruitment

Discrimination in recruitment reduces the pool of workers from which an organization draws and means that suitable candidates are rejected or do not apply. It is assumed, therefore, that discrimination results in a poorer match between recruits' competence and job requirements. This mismatch would grow with the tightness of the labor market and, in tight labor markets, discrimination is assumed to result in recruitment difficulties and skill shortages. Moreover, it is assumed that in a discriminatory labor market, the organization which does not discriminate is able to recruit higher quality workers.

Lack of discrimination may lead to an increase in the number of applicants and should lead to a larger pool of candidates who are regarded as suitable. Benefits are also dependent on the relevant labor pool containing members of the discriminated against group (i.e. having appropriate skills). If it does, reducing discrimination should result in improved labor quality. If it does not, improving Equal Opportunities would have no effect. At the same time, given discrimination in the labor market, offering equality of opportunity could lower labor costs, through increasing the employment of groups whose wages were less than the value of their marginal product (Barrington and Troske, 2001, referring to Becker, 1971).

The recruitment benefit of equality of opportunity is based on two underlying assumptions: those recruiters are good at recruiting 'the best for the job' and that employee performance is closely aligned to the criteria used for their selection. If these do not hold the quality of recruits may not be affected by discrimination. Therefore, it is not clear whether the net result of equality of opportunity policies and practices increasing the number of applicants would necessarily be of benefit to the organization.

Enhanced Staff Utilization

Lack of discrimination in provision of training and development opportunities and allocating staff to specific jobs is assumed to result in better utilization of staff resources. As with recruitment, this relies on the assumption of appropriate selection criteria. However, we would expect selection more often to be effective in identifying appropriate existing staff than for recruitment, as selectors have much greater knowledge of the existing, rather than the potential, employees. However, this will vary with the selection process and the extent to which those familiar with the employee are involved.

Some family-friendly flexible working practices, such as flexi-time, job-sharing and part-time working may enhance staff utilization if they are implemented with an eye on the workload. Qualitative research shows that these can introduce an added flexibility to meet varying workloads even where the practices are designed to assist employees with family responsibilities.

The actual benefit to an organization will depend on the extent to which there is discretion over work allocation and the extent of development and promotion. In organizations where there is little allocation discretion and little promotion and development, the potential benefits of Equal Opportunity policies in terms of matching employees and jobs are likely to be less pronounced.

Morale and Employee Commitment

Equal Opportunity practices are purported to improve employee morale and commitment and therefore, to provide business benefits. Good morale and commitment have been associated with:

- Lower levels of stress and psychosomatic illness
- Increased psychological well-being
- Lower staff turnover
- Fewer grievances
- Higher job performance
- Increased work quality
- Greater 'organizational citizenship'
- Lower absenteeism

The extent of benefit to the organization due to morale improvements will vary with the different characteristics of businesses. For example, reductions in staff turnover will be beneficial if turnover is too high, but may result in costs if it becomes too low, For example, in organizations where labor demand fluctuates and voluntary resignations help match to periods of lower demand; the extent to which job performance may improve will depend on the nature of the job. Where production costs are low, the benefits may be minimal (Liff and Cameron, 1997: 41).

Greater Employee Diversity

Equality of opportunity may increase the diversity of the workforce if the labor market includes groups previously discriminated against. Increased diversity has been purported to bring three types of benefits: customer approval, better service to diverse customer groups and greater innovation.

a) **Customer approval** is assumed to enhance sales. It is supposed to be derived through diversity in two ways:

- Firstly, it is assumed that customers support equality and disapprove of discrimination and therefore, tend to approve more of organizations with a diverse workforce. However, it cannot be assumed that customers support equality or that support influences custom. Therefore, whether an organization achieves this benefit from diversity depends on the composition of its custom.
- Secondly, it is assumed that customers wish to see or to be served by a workforce which includes people like them (i.e. ethnic minorities wish to see ethnic minority employees). This benefit can only be derived from visible employees and applies to visible diversity groups, e.g. wheelchair users are visible as disabled but those with Multiple Sclerosis may not be visible as disabled). There is little evidence to support the assumption that customers approve of diversity.

b) Better understanding of a **diverse customer/client base** is assumed to stem from greater diversity and to enhance sales and service (e.g. understanding of different cultures, needs and preferences). This may be manifested through more effective personal contact with customers/clients, product development appropriate to diverse groups and marketing appropriate to diverse groups. The employment of staff with minority languages enables employees to communicate with customers in their preferred language. Whether such benefits are derived depends on the nature of the business and the composition of customers.

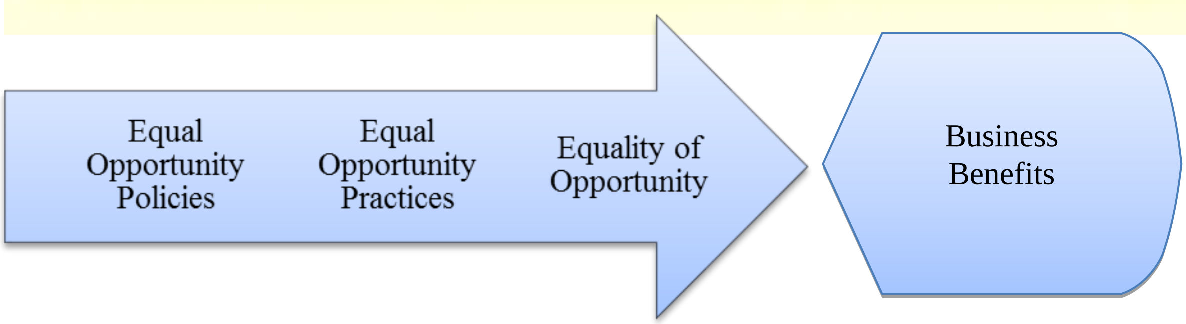
c) Diversity is also purported to increase **innovation**. Different cultural backgrounds (which may derive, for example, from ethnicity, religion, nationality, gender) produce different experiences, attitudes and approaches. It is therefore assumed that the range of ideas increases with diversity. This may affect management and organization approaches, product development, approaches to marketing and publicity and approaches to support services and resourcing.

Shareholder approval

Just as diversity may meet with customer approval, knowledge of the existence of an Equal Opportunity policy or equality itself may result in share buyers' approval. Certainly, Wright, *et al.* (1995) found that companies recognized by the U.S. Department of Labor for having an exemplary affirmative action program experienced an increase in stock price immediately after the announcement, which may have arisen because of an increase in expected future sales or because of a publicity effect.

RELATIONSHIP BETWEEN EQUAL OPPORTUNITY CONCEPTS AND BUSINESS

An organization's Equal Opportunities policy and practices aim at a commitment to engage in employment practices and procedures which do not discriminate, and which provide equality between individuals of different groups to achieve full, productive and freely chosen employment (Lean Lim, 1996:34). So, Equal Opportunities policies and practices at the workplace have higher productivity or profits, that the former causes the latter. It is also feasible to move in the opposite direction: that higher productivity or profits enable organizations to introduce Equal Opportunities policies and practices or increase the likelihood that they do so.



Perotin and Robinson (2000) found that in workplaces with a formal, written Equal Opportunities policy and consistent practices, managers tend to perceive their labor productivity as relatively high compared to similar workplaces without those. The analysis carried out by Workplace Employment Relations Survey 2004 (WERS 2004) done through the introduction of a financial performance questionnaire and the linking with the Annual Business Inquiry (ABI), provided objective (accounts-based) data on labor productivity and profitability.

EFFECT OF EQUAL OPPORTUNITY ON BUSINESS OUTCOMES

By augmenting empirical models of workplace productivity and profits with indicators of Equal Opportunity policies and practices, the business impact can be explored. Two main approaches (WERS 2004) were used to evaluate the effect of Equal Opportunities policies and practices on productivity and profits: multivariate regression analysis with instrumental variables and matched comparison analysis.

Simple regression techniques will only identify the impact of Equal Opportunity on business performance if the presence of Equal Opportunities policies and practices are independent of business performance given the other determinants of business performance included in the regression. In other words, to establish causality, Equal Opportunities policies and practices must be exogenous to business performance, conditional on the other determinants of business performance that are taken into account.

A standard way forward in this situation is to use 'instrumental variables' to help identify the true policy effect (Greene, 1993). Suitable 'instruments' need to be strongly correlated with Equal Opportunities but uncorrelated, or at least only weakly correlated, with business performance. In other words they need to be good predictors of whether or not workplaces have Equal Opportunities policies and practices, but poor predictors of workplace productivity and profits.

Estimates of the effects of Equal Opportunities on business performance based on propensity score matching are likely to identify causal impacts if indeed we have sufficient establishments from which to construct the control group, if we can balance key covariates of business performance between those establishments that operate these practices and those that do not and if we can measure the important covariates of both business performance and Equal Opportunities.

Organizations with HR Managers qualified in personnel management are more likely to have implemented Equal Opportunity policies and practices and obtain business benefits.

GETTING IT DONE!!

When HR practices support the creation of a workforce that has the skills needed to turn Equality into an advantage, Equal Opportunity is more likely to lead to positive performance outcomes. Equal Opportunity has auspicious effects on performance and depends on several aspects of the organization's strategy, culture and Human Resources practices. To be successful in working with and gaining value from this, organizations require a sustained, systemic approach and long-term commitment. There are three steps to execute Equal Opportunity practice for attaining 'High Performance Organization' board:

a) **Begin with cultural competence** – HR professionals to interact effectively with all levels of people about the Equal Opportunity culture practiced in the organization

b) **Business Process Re-engineering** – A business management strategy, where the Management to focus on analyzing and designing workflows and processes within the organization without any business slowdown on account of fluctuating workforce

c) **Link Diversity to Business Strategy** – All the initiatives of the organization including the set of activities and decisions are to be related to equality of opportunity among all the players of the organization

BUSINESS CASE FOR EQUAL OPPORTUNITY

The justification for having executed the Equal Opportunity model in organizations is:

End-User	Individual	Team	Organization	Customer
Business	Self-	Cognitive	Access to a new range of	Products and

Case	actualization Self-empowerment Personal development Career enhancement	diversity leads to better problem-solving and decision-making Maximized innovation and productivity on complex tasks Improved communication skills and the ability to work productively in teams	competencies Increased flexibility, adaptability, and proactivity Access to a diverse range of resources translating into bottom line results External recognition as an employer of choice Increased knowledge of diversity issues Fewer grievances, complaints, and lawsuits Less staff turnover, absenteeism Increased productivity and cost savings	services that better meet customer needs

CONCLUSION

Equal Opportunity is a reality in labor and customer markets and a positive factor that leads to competitive economic advantage for organizations. Organizations are able to meet projected goals and objectives a lot faster as there are diverse people working toward them. To what degree an organization both embraces the ethos of equal opportunities and backs it up with an investment in sound policies and practices may be expected to have an impact on both productivity and profit of the organization and its businesses.

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