

WORKFORCE DIVERSITY AND ITS EFFECT ON SHAREHOLDER VALUE

N. Saranya Devi

Assistant Professor

School of Management Studies, Tamil Nadu Open University, Chennai, Tamilnadu

ABSTRACT

Diversity in the workplace is becoming more and more important for companies that want to boost innovation, employee engagement, and their bottom line. This study examines the correlation between workforce diversity and shareholder value, emphasising various dimensions such as gender, age, and ethnicity. The study analyses a sample of employees from different organisations to investigate the influence of diversity on organisational performance metrics, including return on equity and employee perceptions of diversity initiatives. The study utilises descriptive statistics to analyse demographic distribution, t-tests to evaluate disparities in shareholder value and employee perceptions between high and low diversity groups, and chi-square analysis to examine the relationship between diversity categories and organisational performance. The results show that companies with a more diverse workforce do better financially and that employees at these companies have a more positive view of diversity initiatives. The findings demonstrate that diversity is not merely a social and ethical necessity, but also a fundamental catalyst for shareholder value and enduring organisational success. The study also emphasises the significance of leadership commitment and inclusive policies in cultivating a supportive environment that optimises the advantages of diversity. These insights offer pragmatic guidance for organisational leaders aiming to execute effective diversity strategies and generate value for stakeholders. This research adds to the growing body of work that sees diversity as a strategic asset by showing how diversity in the workplace affects financial performance and employee engagement.

Keywords: Workforce diversity, organizational performance, shareholder value, gender diversity, ethnic diversity, employee perceptions, inclusion.

INTRODUCTION

Diversity in the workplace has gone from being a moral issue to a strategic necessity in today's businesses. Combining different points of view, such as gender, race, age, and other factors, has been shown to boost innovation, make decisions better, and create a more welcoming workplace culture (McKinsey & Company, 2023). As companies try to meet the needs of society and follow the rules, the effect of having a diverse workforce on shareholder value has gotten a lot of attention. Research shows that companies with diverse leadership teams are more likely to do better financially than their competitors. For example, McKinsey & Company (2023) discovered a significant correlation between diversity in key leadership positions within companies and various indicators of holistic impact, encompassing workforce, community, and environmental aspects. In a similar vein, Saha's (2024) research showed that companies with higher diversity and inclusion (D&I) scores do better on Tobin's Q, and this effect is stronger in companies with more institutional ownership. Even with these results, the link between workforce diversity and shareholder value is still complicated and depends on the situation. Some studies have shown mixed results, with some organisations seeing little or even negative effects on their financial performance after diversity initiatives (Foster, 2021). These differences show how important it is to have a nuanced understanding

of how diversity affects shareholder value in different organisational settings. This study seeks to enhance comprehension by investigating the impact of workforce diversity on shareholder value. The study examines data from 311 participants to elucidate the impact of various dimensions of diversity—specifically gender, age, and ethnicity—on organisational performance metrics and, subsequently, shareholder value. This study aims to elucidate the nature and magnitude of the influence of workforce diversity on shareholder value through comprehensive statistical analyses, including t-tests, chi-square tests, and frequency analyses.

STATEMENT OF THE PROBLEM

In today's business world, having a diverse workforce is a key factor that affects how well an organisation does, how innovative it is, and how competitive it is overall. Companies are realising more and more that hiring people from different backgrounds, such as gender, age, ethnicity, and cultural experiences, can make them more creative, better at making decisions, and more flexible. Even though everyone agrees that it is important, there is still some confusion about how workforce diversity affects measurable financial outcomes, especially shareholder value. Some studies show that diverse teams can help a company do better, while others show that the results are mixed or depend on the situation. This means that the benefits of diversity may not always lead to higher profits or a higher market value. There is also not much research on how employees' views of diversity programs affect how well an organisation works and, in turn, how much value it brings to shareholders. This gap makes it hard for business leaders to explain and put diversity policies into action that have clear financial goals. While numerous studies have investigated diversity and inclusion, a substantial research gap persists regarding the holistic relationship between workforce diversity and shareholder value in contemporary enterprises. Current literature frequently emphasises either organisational performance or employee perceptions, seldom integrating both viewpoints to evaluate their collective influence on shareholder outcomes. Additionally, the majority of studies are confined to particular industries or geographic areas, resulting in a deficiency of generalisable evidence for wider corporate implementation. This study seeks to fill these gaps by examining various aspects of workforce diversity—specifically gender, age, and ethnicity—together with employee perceptions of diversity initiatives, and assessing their cumulative impact on shareholder value. The study aims to furnish empirical insights that can inform strategic diversity management and facilitate evidence-based decisions to improve organisational performance and value creation.

SCOPE OF THE STUDY

This research investigates the effect of workforce diversity on shareholder value in organisations. The study examines various dimensions of diversity, including gender, age, and ethnicity, and analyses their impact on organisational performance metrics such as Return on Equity (ROE), Earnings Per Share (EPS), and overall financial value creation. The study also looks at how employees feel about diversity and inclusion programs to see how their attitudes and engagement affect or strengthen the link between diversity and shareholder outcomes. The study's scope is confined to a sample of 311 participants from diverse organisations, facilitating both quantitative and qualitative analyses of diversity practices. The research aims to offer overarching insights relevant to various industries; however, it fails to consider all potential moderating factors, including organisational culture, industry-specific regulations, and international disparities in labour policies. The study predominantly employs statistical analyses, such as t-tests, chi-square tests, and frequency distributions, to assess the relationships among variables and formulate conclusions. The results are meant to help decision-makers in organisations, human resources professionals, and policymakers learn about good ways to manage diversity and how they might help increase shareholder value.

OBJECTIVES

1. To examine the impact of workforce diversity (gender, age, and ethnicity) on organizational performance and its contribution to shareholder value.
2. To analyze differences in shareholder value metrics (e.g., ROE, EPS, Tobin's Q) between organizations with high versus low workforce diversity.
3. To assess employees' perceptions of diversity initiatives and their influence on organizational effectiveness and value creation.

REVIEW OF LITERATURE

Saha's (2024) study, "Impact of Diversity and Inclusion on Firm Performance," utilizes a sample of 8,089 firm-year observations from globally listed firms to examine the relationship between diversity and inclusion (D&I) scores and firm performance, measured by Tobin's Q. The study finds that firms with higher D&I scores exhibit better firm performance. Additionally, the impact of D&I on firm performance is more pronounced for firms with higher institutional ownership. The study also explores the differential effects of domestic and foreign institutional ownership on the relationship between D&I and firm performance. McKinsey & Company's (2023) report, "Diversity Matters Even More: The Case for Holistic Impact," expands upon its previous research by analyzing data collected in 2022 and financial data from 2021. The report finds that companies in the top quartile for gender diversity are 39% more likely to have above-average profitability compared to their bottom quartile peers. This underscores the growing business case for diversity, equity, and inclusion (DEI) as a driver of holistic impact, including workforce, community, and environmental outcomes. Foster's (2021) study, "Noteworthy Diversity Efforts and Financial Performance," analyzes the long-term shareholder value (Tobin's Q) and short-term performance (return on assets) of companies recognized for their diversity efforts. The study finds that companies included on the DiversityInc Top 50 list have significantly higher Tobin's Q compared to other companies, implying that diversity efforts increase long-term shareholder value. Adeniyi et al.'s (2024) meta-analysis, "Enhancing Organizational Performance Through Diversity and Inclusion Initiatives," synthesizes findings from various studies to examine the impact of D&I initiatives on organizational performance. The analysis reveals that D&I initiatives lead to increased innovation, improved decision-making, and enhanced employee engagement. The study emphasizes the importance of leadership commitment in driving successful D&I outcomes, ultimately positioning organizations for better financial performance and competitive advantage. Arman's (2024) study, "Impact of Cultural Diversity on Employee Performance," investigates the influence of cultural diversity on job satisfaction and its effect on expatriate work performance. The study employs structured interviews with expatriates in a private sector organization based in the United Arab Emirates. Findings indicate that cultural diversity positively influences job satisfaction, which in turn enhances expatriate work performance. Pew Research Center's (2023) report, "Diversity, Equity and Inclusion in the Workplace," examines public opinion on DEI efforts in the workplace. The report finds that a majority of employed U.S. adults (56%) view focusing on increasing DEI at work as a positive development. However, opinions about DEI vary considerably along demographic and political lines, highlighting the complex and sometimes contentious nature of DEI initiatives in organizational settings.

RESEARCH METHODOLOGY

The current study employs a quantitative research design to investigate the influence of workforce diversity on shareholder value, emphasising dimensions such as gender, age, and

ethnicity, alongside employees' perceptions of diversity initiatives. A purposive sampling method was utilised to choose 311 participants from different organisations, ensuring a variety of industries and employee demographics to gather a range of viewpoints pertinent to the research aims. We used a structured questionnaire with Likert-scale items for perception-based questions and categorical questions for demographic and diversity-related variables to collect data. The gathered data were coded and examined using SPSS software, adhering to a pre-established analytical framework that corresponds with the study's objectives. Descriptive statistics, such as frequency tests, were employed to encapsulate participants' demographic profiles and their responses concerning diversity practices. Additionally, independent sample t-tests were utilised to assess mean differences in shareholder value and employee perceptions between high-diversity and low-diversity groups. A chi-square test was also conducted to analyse the relationship between workforce diversity categories (gender and ethnicity) and firm performance classifications, while controlling for variables including company size, industry, and employee tenure. The methodology guarantees a thorough statistical analysis of both the actual and perceived effects of workforce diversity on shareholder value, yielding empirical evidence to substantiate the research aims and facilitate substantive conclusions regarding the strategic importance of diversity and inclusion in contemporary organisations.

DATA ANALYSIS

Table 1 : Frequency Analysis of Gender Diversity among Respondents

Description	%
Male	48.2
Female	50.8
Non-binary / Prefer not to say	1
Total	100

The analysis shows that the sample has almost the same number of men and women: 50.8% are women and 48.2% are men. This balance shows that the study gets a fair view from both genders, which makes diversity-based analyses more reliable.

Table 2 : Frequency Analysis of Age Distribution of Respondents

Description	%
20–30 years	34.7
31–40 years	39.9
41–50 years	18.6
Above 50 years	6.8
Total	

Most of the people who answered were between the ages of 31 and 40, and the next most common age group was 20 to 30. This shows that the workforce is mostly made up of young and mid-career professionals. This distribution shows that the employees are dynamic and energetic and can adapt to the changing needs of the organisation. This age range often brings together people with a lot of experience and new ideas, which can lead to new ideas and better ways of doing things. It also suggests that people may stay with the company for a long time and move up in their careers. Overall, this mix of people shows that the workforce is flexible and ready to make a real difference in helping the organisation reach its goals.

Table 3 : Frequency Analysis of Ethnic Diversity among Respondents

Description	%
Majority / Local Ethnic Group	62.1
Minority Group A	18
Minority Group B	12.5
Other Ethnic Backgrounds	7.4
Total	

Over 37% of employees are from minority ethnic groups, which shows that the sample organisations have a moderate level of ethnic diversity. This level of diversity means that there are many different cultural points of view, which can help with problem-solving and coming up with new ideas. Having a lot of different points of view can often lead to more creative solutions and better decision-making in teams. A diverse workforce can also have a good effect on group dynamics by encouraging collaboration and inclusivity across departments. In general, having a mix of ethnicities in these groups is likely to help the organisation be flexible, keep employees interested, and create long-term value.

Table 4 : Frequency Analysis of Organizational Tenure

Description	%
Less than 1 year	9
1–3 years	31.8
4–6 years	38.2
Above 6 years	21
Total	

38.2% of the people who answered said they had worked for the company for 4 to 6 years, which suggests that the workforce is relatively stable. This level of tenure shows that employees have enough experience to know how the organisation works and what its culture is like. Stability in the workforce often leads to stable performance and fewer problems caused by high turnover. It also helps build organisational knowledge and mentor new employees, which makes the whole team stronger. So, having a stable group of employees can be very important for keeping productivity high and helping with long-term strategic goals.

Table 5 : Frequency Analysis of Education Level of Respondents

Description	%
Undergraduate Degree	43.4
Postgraduate Degree	41.8
Doctorate	6.1
Others / Professional Diplomas	8.7
Total	

Most of the people who answered have at least a bachelor's or master's degree, which shows that the companies have a very educated workforce. This level of education shows that workers have the knowledge and analytical skills to understand complicated rules and policies in the workplace. A workforce with a lot of education is often better able to help with strategic decision-making and problem-solving efforts. This level of qualification may also make it easier for the organisation to come up with new ideas and use evidence-based practices. In general, having a lot of highly educated employees means that there is a good

chance that they will make informed contributions to the company's performance and finances.

Table 6 : Frequency Analysis of Employee Perception of Diversity Policy Effectiveness

Description	%
Very Effective	27.7
Effective	36
Neutral	22.8
Ineffective	10.3
Very Ineffective	3.2
Total	

Table 6 shows that Most employees, 63.7%, think that their company's diversity policies are either "effective" or "very effective." This shows that most people have a good opinion of these programs. This positive view shows that diversity measures are working well and are popular with the staff. If employees like diversity policies, it can make them more engaged, work better together, and be happier at work overall. This kind of acceptance also shows that the organisation is probably making an environment that is open to everyone and uses different points of view to make better decisions. So, these successful diversity programs could really help the organisation do better and come up with new ideas.

Table 7 : T-Test on Shareholder Value (ROE) by Gender Diversity

Variable		N	Mean	SD	SE	t	Sig. (2-tailed)
ROE	High Gender Diversity	159	12.85	3.21	0.25	4.37	0
	Low Gender Diversity	152	11.23	3.05	0.25		

The Table 7 results show a big difference ($t = 4.37, p < 0.01$) in ROE between companies with a lot of gender diversity and those with very little. This finding suggests that companies with more gender diversity tend to create more value for shareholders than companies with less diversity. This positive relationship supports the idea that having a diverse workforce can improve financial performance by bringing in different points of view and ways of making decisions. It also implies that gender-inclusive practices might enhance organisational resilience and capacity for innovation. Overall, these results show how important it is to promote gender diversity as a way to achieve long-term financial success.

Table 8 : T-Test on Employee Perception of Diversity Policy by Ethnic Diversity

Variable		N	Mean	SD	SE	t	Sig. (2-tailed)
Perception Score	High Gender Diversity	115	4.12	0.61	0.06	3.88	0
	Low Gender Diversity	196	3.78	0.69	0.05		

The table 8 shows that there is a statistically significant difference ($t = 3.88, p < 0.01$) in how employees at organisations with high and low ethnic diversity see diversity policies. Workers at companies with a lot of different types of people tend to have a better view of diversity initiatives, which shows that they are more accepting and involved with these policies. This finding indicates that ethnic diversity can influence organisational culture by promoting inclusivity and collaboration among employees. A positive view of diversity initiatives may

also boost morale, teamwork, and knowledge sharing, which all help the organisation work better as a whole. So, promoting ethnic diversity seems to be both a social necessity and a strategic factor in improving organisational performance and creating value.

Table 9 : Chi-Square on Workforce Diversity and Organizational Performance

Item	Value
N	311
Pearson Chi-Square	12.764
Degrees of Freedom	1
Asymptotic Significance (2-sided)	0

The Chi-Square test shows a strong link ($\chi^2 = 12.764$, $df = 1$, $p < 0.01$) between the diversity of the workforce and the performance of the organisation. This finding suggests that organisations exhibiting elevated levels of diversity are more prone to attain enhanced performance outcomes, including improved return on equity (ROE). The result backs up the idea that having a diverse workforce can help with decision-making, coming up with new ideas, and solving problems, all of which can make the organisation as a whole work better. It also implies that workforce diversity is not solely a social or ethical concern but a strategic element that can enhance shareholder value. In general, these findings show how important it is to promote and manage diversity as a key factor in long-term organisational success.

FINDING AND INTERPRETATION

The frequency analysis shows that the sample of workers is fairly evenly distributed across important demographic groups. There are almost equal numbers of men and women who answered the survey (50.8% women and 48.2% men). Most of the employees (39.9%) are between the ages of 31 and 40, which means that the workforce is mostly young to mid-career. Ethnic diversity indicates that 37.9% of respondents are from minority groups, implying a moderately diverse organisational environment. The majority of employees (38.2%) have worked for their companies for 4–6 years, and the majority (85.2%) have at least a bachelor's or master's degree. This shows that the workforce is stable and well-educated. Most employees have positive views of diversity policies, with 63.7% rating them as effective or very effective. This shows that the organisations have a culture that supports diversity. The t-test analyses yield additional insights into the influence of diversity on organisational outcomes. The initial t-test indicates a significant disparity in shareholder value (ROE) between organisations with high and low gender diversity ($t = 4.37$, $p < 0.01$), implying that firms exhibiting greater gender diversity attain superior financial performance. The second t-test also shows a big difference in employee perception scores between organisations with a lot of ethnic diversity and those with a little ($t = 3.88$, $p < 0.01$). This shows that employees in more ethnically diverse companies have a better view of diversity initiatives, which can help the company's culture and performance. The Chi-Square test corroborates these results, indicating a significant correlation between workforce diversity and organisational performance ($\chi^2 = 12.764$, $df = 1$, $p < 0.01$), thereby affirming that organisations with greater diversity are predisposed to attain superior performance metrics. These findings collectively offer robust evidence that workforce diversity—encompassing gender, age, and ethnicity—not only improves employee perceptions of inclusion but also positively impacts shareholder value, in accordance with the study's objectives.

CONCLUSION AND SUGGESTIONS

The results of this study show that having a diverse workforce in terms of gender, age, and ethnicity has a big positive effect on how well a company does and how much its

shareholders are worth. Organisations with high diversity have better financial results, such as a higher return on equity (ROE), and employees in these companies view diversity initiatives more favourably. The t-tests and Chi-Square analysis results together support the idea that diversity is not only a moral or social necessity, but also a key factor in the success of an organisation. Moreover, the frequency analysis substantiates that organisations exhibiting balanced demographic representation are likely to cultivate a more inclusive and engaged workforce, thereby facilitating sustained value creation. In general, the study shows how important it is for companies to have a diverse workforce in order to improve both employee satisfaction and financial performance. Given these results, companies should make diversity initiatives a strategic goal instead of just something they have to do. To make sure that all gender, age, and ethnic groups are fairly represented, human resources departments should use targeted hiring and retention strategies. Also, employees should take part in regular training programs and awareness campaigns to learn more about the benefits of diversity and inclusion. Leadership commitment is important because supportive management practices can help employees see diversity as a positive thing and make the most of its positive effects on performance. Lastly, companies should always keep an eye on diversity metrics along with financial results to see how well their diversity policies are working and make data-driven changes that will increase shareholder value even more.

REFERENCE

1. Foster, B. P. (2021). Noteworthy diversity efforts and financial performance. *Journal of Business Research*, 135, 1–12. <https://doi.org/10.1016/j.jbusres.2021.02.012>
2. McKinsey & Company. (2023). Diversity matters even more: The case for holistic impact. <https://www.mckinsey.com/featured-insights/diversity-and-inclusion/diversity-matters-even-more-the-case-for-holistic-impact>
3. Saha, R. (2024). Impact of diversity and inclusion on firm performance. *Journal of Financial Economics*, 17(8), 344–358. <https://doi.org/10.3390/jfe17080344>
4. Adeniyi, T., Smith, J., & Kumar, R. (2024). Enhancing organizational performance through diversity and inclusion initiatives: A meta-analysis. *Journal of Organizational Behavior Studies*. https://www.researchgate.net/publication/380115625_ENHANCING_ORGANIZATIONAL_PERFORMANCE_THROUGH_DIVERSITY_AND_INCLUSION_INITIATIVES_A_META-ANALYSIS
5. Arman, A. (2024). Impact of cultural diversity on employee performance. *International Journal of Human Resource Studies*. <https://www.sciencedirect.com/science/article/pii/S1947959X24000020>
6. Foster, B. P. (2021). Noteworthy diversity efforts and financial performance. *Journal of Business Research*, 135, 1–12. <https://doi.org/10.1016/j.jbusres.2021.02.012>
7. McKinsey & Company. (2023). Diversity matters even more: The case for holistic impact. <https://www.mckinsey.com/featured-insights/diversity-and-inclusion/diversity-matters-even-more-the-case-for-holistic-impact>
8. Pew Research Center. (2023). Diversity, equity and inclusion in the workplace. <https://www.pewresearch.org/social-trends/2023/05/17/diversity-equity-and-inclusion-in-the-workplace>
9. Saha, R. (2024). Impact of diversity and inclusion on firm performance. *Journal of Financial Economics*, 17(8), 344–358. <https://doi.org/10.3390/jfe17080344>