

Diversification strategies and business performance

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Received date : 14.03.2022 , Accepted date : 25.04.2022, Publication date :06.06.2022

Abstract:

This study aims to highlight the relationship between Diversity Strategies focused on employment and business performance, where the organization is obligated to diversify its employees (temporary worker, permanent worker) and puts at the disposal of administration six types of strategies represented in the strategy of adding value through temporary labor, the strategy of adding Value for mere labor, learning strategy, hazard strategy, anti-discrimination strategy, exclusion strategy, Also, business performance has two dimensions: financial performance, and social performance. As for the applied study, it included 30 enterprises distributed over the following states: Mascara, Saida, Relizane, Mostaganem, Oran, and Tiaret. Through the study, we found that there is a relationship between the strategy of adding value through temporary labor, the strategy of adding value for mere labor, the learning strategy, and business performance.

Key words: Diversity strategies focused on employment, business performance, financial performance, social performance.

JellClassificationCodes:L0, L20

Introduction

Diversification strategy expresses one of the strategic choices that achieve growth for the organization (internally or externally). It seeks to adopt it in order to adapt to the rapid changes that require prior preparation of its strategy and culture pattern. Diversification in the human resource, especially in terms of employment, distributes risks to several activities of a different nature in multiple sectors, also as

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one of the strategic choices adopted by the organization in order to achieve its general objectives. In the event of diversifying its employees, the organization chooses one of the following six strategies: the strategy of adding value through temporary labor, the strategy of adding Value for mere labor, learning strategy, hazard strategy, anti-discrimination strategy, and exclusion strategy, each of these types has characteristics that are according to the activity and nature of the organization. In light of intense competition and instability, economic enterprises must pay attention to effective administrative methods that directly target everything related to the behavior to be adopted in order to improve their level of performance by creating a better situation compared to their competitors, and thus their ability to achieve a permanent and continuous competitive advantage, therefore, it seeks to choose the appropriate alternative that is compatible with the internal and external capabilities. Through our study, we will try to focus on one of the growth and expansion strategies represented in diversification in terms of employment with regard to the human resource by focusing on both the permanent and temporary workers.

1. Literature review

1.1. Diversity Strategies

Several writers have observed, diversity can be viewed through lenses other than legal or ethical, and diversity has been defined, studied, and approached in quite different ways. In this regard Dass, P and Parker, B. (1999), confirmed that a fit or match among diversity pressures, perspectives, and strategic responses is likely to improve organizational performance, whereas a mismatch is likely to entail economic and noneconomic costs. as well as, diversity provides a better fit with organizational circum- stances than resisting it (Dass & Parker, 1999, pp. 68-69). As recent research also, suggests that firms that effectively manage their workforce diversity may experience positive outcomes. For example, the firms with higher percentages of women managers report relatively higher financial performance and greater effectiveness (Buttner, Lowe, & Billings-Harris, 2006, pp. 356-357).

Ortlieb.R & Sieben. B (2008) defined diversity strategies as particular forms of employment, where, a diversity strategy thus entails that, in an organization, personnel diversity is produced or excluded employees, especially people with an immigration background (non-permanent or temporary) (Ortlieb & Sieben, 2008, p. 72)

According to a study of Ortlieb.R & Sieben. B (2008), the typology consists of six diversity strategies that named Antidiscrimination, Adding value through migration background (temporary worker), Adding value through mere labor, Learning, Exclusion, and Hazard. Below is a breakdown of these strategies:

1.1. a. The strategy of Adding value through migration background (temporary worker): The peculiarity of this strategy is that organizational decision makers

regard qualifications related to a migration background as notably important. Be it language, cultural skills, or the migration background itself, in order to access especially to consumer markets.

1.1.b. The strategy of Adding value through mere labor: People with a migration background are employed whenever they are ready to work for low wages or to execute undesired jobs.

1.1.c. The strategy of Learning: The strategy of learning is characterized by new perspectives and approaches to work. These are regarded as essential for process and product innovations. In this sense, Learning is also a strategy which aims at adding value through the employment of people with a migration background.

1.1.d. The strategy of Anti-discrimination: This strategy aims to ensure that qualifications and experiences are obtained from all employees. This implies a reflection on how to attract employees with diverse backgrounds.

1.1.e. The strategy of Exclusion: The strategy of exclusion is that no people with a migration background are employed. In other words, the nonemployment of people with a migration background is to ensure the performance of other employees.

1.1.f. The strategy of Hazard: For the strategy of hazard, organizational decision makers in this case, focus the job requirements and the aptitude of potential employees irrespective of their migration background (Ortlieb & Sieben, 2008, p. 77).

1.2. Business Performance

1.2. a. Financial Performance

Performance measurement was based mainly on financial and non-financial indicators (Henri, 2004, p. 26) (Zellars & Fiorito, 1999). Performance measurement is the process of measuring the efficiency and effectiveness of a purposeful work and needs to be reviewed by management to determine whether the organization is achieving its goals or not (Äikäs, 2011, p. 14), (Mutonyi & Gyau, 2013, p. 2) . Performance measurement systems are primarily based on financial, operational or both (Venkatraman & Ramanujam, 1986, p. 804). The Kaplan and Norton (2001) study then added three areas of performance to the financial dimension: clients, internal business processes, As well as learning and growth (Henri, 2004, p. 26), (Äikäs, 2011, p. 19) in (Bouhelal, 2021, p. 217).

According to Santos & Brito, (2012), Venkatraman & Ramanujam, (1986) firm performance is a subset of organizational effectiveness that covers operational and financial outcomes. As for Richard, Devinney, Yip, & Johnson, (2009) they view organizational effectiveness as a captures organizational performance and beyond, thus we can beyond the economic aspect such as corporate social responsibility (Bouhelal, 2021, p. 217).

1.2.b. Social Performance

Chung-Leung Luk, & al (2005) emphasized that corporate social performance reflects the extent to which a company has succeeded in transforming stakeholder

orientation, and managerial attitude, into stakeholder satisfaction (Chung-Leung Luk, (2005), p. 95).

Clarson defined it as the ability of an organization to manage the satisfaction of various stakeholders (Clarkson, (1995),, pp. 111-112) . While "wood" focused in his definition on the principles of social responsibility, social adjustment procedures, and the impact of economic activities, which contribute to linking the organization with the community. Baggio & Sutter (2013) defined it as a positive or negative result of an individual's interaction with work in order to achieve the goals of the organization; it means taking into account the human factor at work on at least three axes: individual performance, collective performance and organizational performance. (Baggio & Sutter, 2013, p. 7)

2. Review of literature and hypotheses

In a study by Ortlieb.R & Sieben. B (2008), they emphasized that employment decisions are based on the evaluation of critical resources and they identified six diversity strategies and its relationship with competitive strategies (Ortlieb & Sieben, 2008, pp. 72-74). Dass, P and Parker, B. (1999), argue that there is no single best way, to manage workforce diversity in organizations. But that the organization's approach depends on the degree of pressure for diversity, the type of diversity in question, and managerial attitudes, and the response of strategic for managing diversity are presented in a framework of proactive, accommodative, defensive, and reactive modes (Dass & Parker, 1999, pp. 68-70). Comer and Soliman (1996) in their survey of organizations' diversity practices found that while numerous companies have implemented diversity strategies and that the organizations that practices diversity initiatives are really working to move them towards multiculturalism, and, in turn, multiculturalism is bringing desired gains. Few have attempted to evaluate their outcomes (Comer & Soliman, 1996, pp. 471,477). In this regard, Buttner,E. Holly & al (2006), found that the diversity orientation influenced the extensiveness of diversity activities, but the leader's diversity attitude did not. As well as, structural pressures have a greater effect on diversity activities than the leader's attitude toward diversity (Buttner, Lowe, & Billings-Harris, 2006, pp. 364-366).

Under these literatures we can formulate the following hypotheses:

Hypothesis1: There is diversity strategies focused on employment in Algerian enterprises.

Hypothesis2: The financial performance and social performance are attached with great importance by Algerian enterprises.

Hypothesis3: There is a close relationship between diversity strategies focused on employment and the business performance of Algerian enterprises.

3. Empirical study

3.1. Sample identification and data collection

The data was collected by a questionnaire that was directed at a sample of managers and their assistants, where the questionnaire sent to a group of small and medium enterprises, at the level of the north-west of Algeria according to the administrative division of the National Bureau of Statistics (Statistiques., (2012), p. 68) and that include Mascara, Saida, Relizane, Mostaganem, Oran, and Tiaret. 39 questionnaires were distributed on the basis of the number of small and medium enterprises randomly, 30 of them were retrieved, representing 76,92 % of all distributed questionnaires.

We used frequencies and correspondance analysis to analyze data. Relying on a group of previous research: Ortlieb and Sieben, (2008), Zellweger and Sieger (2012), Brito and Sauan (2016), Bouhelal.F (2021).

3.2. Methodology

In this study, we relied on a set of variables, which consisted of six types of diversity strategies: the strategy of adding value through temporary labor, the strategy of adding Value for mere labor, learning strategy, hazard strategy, anti-discrimination strategy, exclusion strategy. Business performance was considered through two main areas: financial side and social side, where, the diversity strategies types were measured based on the items quoted from Ortlieb. R and Sieben.B (2008) study.

Based on the Luk and al, (2005) study, we adopted the items that measure financial performance from Greenley and Foxall (1997). As well as we adopted the items that measure corporate social performance from the work of Greenley and al (2002).

Each of the six diversity strategies types was measured through two items, and the business performance variable was measured through (11 items), financial performance (6 items), social performance (5 items). And to avoid overlap between the items when drawing conclusions, we shortened these items using frequencies, where, we represented business performance in (one item), financial performance (one item), and social performance (one item).

To measure the items of these variables, we used Likert scale of five degree to measure response intensity according to the following coding: from strongly disagree (1) to strongly agree (5) (Brown, (2011), pp. 10-14).

The reliability of each scale was estimated by calculating the Cronbach alpha coefficient, which are acceptable in management and behavioral studies if they exceed the levels recommended by Nunnally, (1978) (value of 0.70 or greater) (Rothbard & Edwards, (2003), p. 713). According to Hwang (2005), Schuessler (1971) considers that the Cronbach alpha coefficient is good if it has a value greater than (0.60) (Hwang, (2005)., pp. 127-135).

3.3. Methods used.

We used different methods in our analyzes, first: in order to verify the presence or absence of the six types of diversity strategies, as well as what kind of performance is given great importance by the Algerian SMEs under study, we are based on the frequency distribution uni variable. Second: to know the relationship between the six types of diversity strategies and business performance, we apply correspondance analysis. All analyzes were performed using SPSS 20, relying on a

set of previous studies, including: Thomas Zellweger and Philipp Sieger, (2012), Ortlieb and Sieben, (2008), Bouhelal (2021).

3.4. Results

3.4.1. Reliability analysis of items

We used the Cronbach alpha coefficient to measure the reliability of items that measure study variables, which included six diversity strategies types (the strategy of adding value through temporary labor, the strategy of adding Value for mere labor, learning strategy, hazard strategy, anti-discrimination strategy, exclusion strategy) and business performance (financial and social). The results are listed in Table (1), where we found the value of Cronbach alpha acceptable according to Nunnally (1978).

Table (1): Reliability test results

The Study Variables	Diversity strategies	Business performance	Financial performance	Social performance
Cronbach Alph	0,703	0,914	0,952	0,884

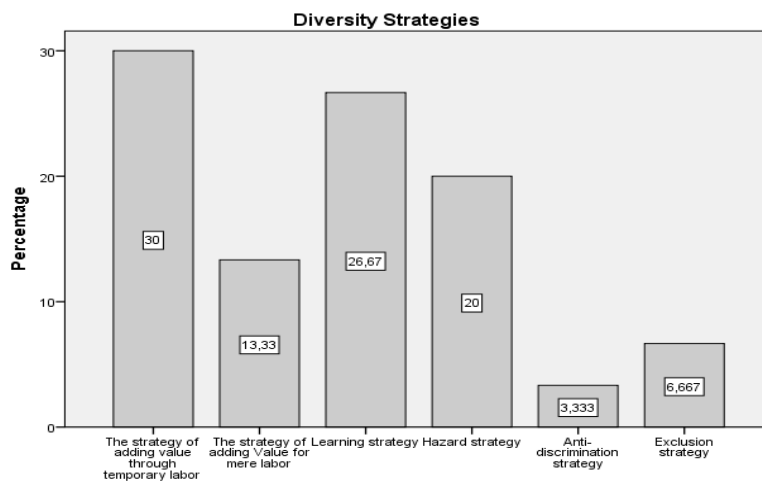
Source: Prepared by the researcher based on SPSS 20 outputs

Through the Table (1), we note that the results of the Cronbach alpha test matches to the minimum Cronbach alpha acceptable in the management and behavioral studies.

3.4.2. The frequency distribution of the six types of diversity strategies and business performance

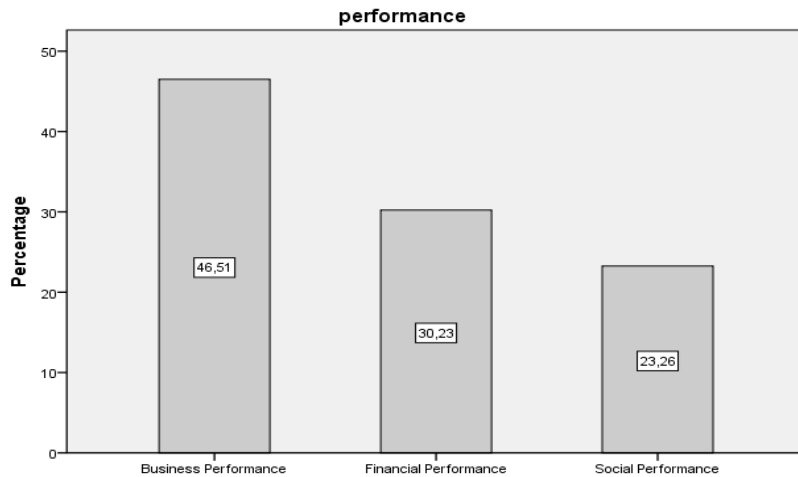
We present the results of analyzing the data obtained from the outputs of SPSS 20 as follows, where, we investigate the first and second hypothesis about how the six diversity strategies types are in the enterprises, and about any of the performance that is of primary importance in the Algerian SMEs under study.

Figure (1): Frequency distribution of the six types of diversity strategies



Source: Prepared by the researcher based on SPSS 20 outputs

Figure (2): Frequency distribution of the business performance

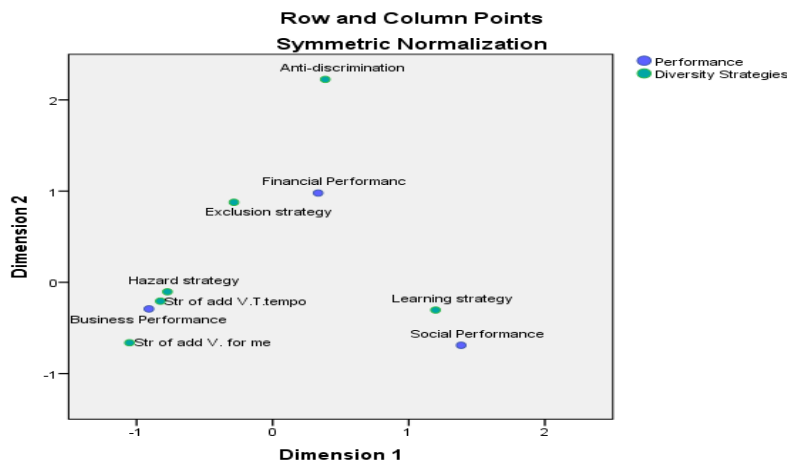


Source: Prepared by the researcher based on SPSS 20 outputs

3.4.3. The relationship between the six types of diversity strategies and business performance

We present the results of analyzing the data obtained from the outputs of SPSS 20 in Figure (3), where, we investigate the third hypothesis to find out how is the relationship between the six diversity strategies types and business performance in the Algerian SMEs under study.

Figure (3): Correspondence Analysis Map of the Six diversity strategies and Business Performance



Source: Prepared by the researcher based on SPSS 20 outputs

3.5. Results analysis

3.5.1. Analyzing the results of the frequency distribution of the six types of leadership practices and business performance

Through Figure (1) above, which represents the frequency distribution of the six types of diversity strategies, we note that all diversity strategies types have a percentage, where, the strategy of adding value through temporary labor ranked first with a frequency distribution of 30%, then followed by in the second place are learning strategy with a frequency distribution of 26,67% . Then hazard strategy came in the third place with a frequency distribution of 20%, then the strategy of adding value for mere labor, exclusion strategy, and anti-discrimination strategy came in the fourth, fifth and six place with a frequency distribution of 13,33; 6,66; 3,33% for each of them,

and this is due to the fact that most leaders of the Algerian small and medium enterprises under study is more concerned with qualifications related to a migration background as notably important. Be it language, cultural skills, or the migration background itself that was gained through the learning strategy by new perspectives and approaches to work, thus the leaders of the Algerian enterprises under study focus on the job requirements and the aptitude of potential employees irrespective of their migration background, this is what was embodied in the hazard strategy, which ranked third, and this was a confirmation of what was stated in the study of Ortlieb. R and Sieben.B (2008).

Through Figure (2) above, which represents the frequency distribution of performance, we note that business performance ranked first with a frequency distribution of 46,51%, then followed by in the second place are financial performance with a frequency distribution of 30,23%, while social performance has reached a percentage 23,26% of the frequency distribution in the third place. And this indicates that the leaders of the enterprises under study attach great importance to the business performance in general or the financial performance regardless of social performance. Because the measurement of performance according to what

was stated in the study of Henri, (2004). Zellars, & Fiorito (1999) is based mainly on financial and nonfinancial indicators. In contrast to the social performance, which reflects according to the study of Luk, & al (2005) the extent of the company's success in transforming the stakeholder orientation, and the managerial position, to the satisfaction of the stakeholders. Hence managers have ethical obligations to their stakeholders. And this what was confirmed in Bouhelal (2021) study, where she found that the leaders of the Algerian small and medium enterprises have the same concept and meaning for the business performance either financial or social.

3.5.2. Analyze the results of the relationship between the six diversity strategies types and business performance

Through Figure (3) above, which represents the relationship between the six types of diversity strategies and business performance, we note that there is a positive and close relationship between business performance and the strategy of adding value through temporary labor, the strategy of adding Value for mere labor, and hazard strategy

There is also a positive relationship between financial performance and exclusion strategy and a positive relationship between social performance and learning strategy.

This result can be explained according to the study of Ortlieb. R and Sieben.B (2008), where they emphasized that the peculiarity of the strategy of adding value through migration background (temporary worker) is the interest in qualifications, whether language or cultural skills in order to access consumer markets, and this is a positive feature of the enterprise performance in general. The strategy of adding value through mere labor aims to employ people with migration background whenever they are ready to work for low wages, and this means reducing the cost, which also positively affects the activity of the enterprise and thus its performance. As for the strategy of hazard, it focuses on the job requirements and the aptitude of potential employees irrespective of their migration background, with one goal, which is to increase the performance of the organization.

In general, we can say that there is a close and positive relationship between most diversity strategies types and performance, whether the financial or nonfinancial performance (social performance).

With regard to the relationship between financial performance and the exclusion strategy, it is represented in the nonemployment of people with a migration background to ensure the performance of other employees, in addition to the fact that the use of internal human resources (for example, the promotion system) can reduce recruitment costs and raises the spirit of employees, which leads to a higher level of performance Thus optimizing the efficiency of the current employees. In this regard, Maister (2001) emphasized also that employee satisfaction, by motivating and retaining them, for example, will serve customers well, which leads to improving corporate revenues and profits (making a lot of money).

As for the relationship between the social performance and the learning strategy, we find that Baggio and Sutter (2013) defined social performance as the positive or negative result of an individual's interaction with work in order to achieve organization goals, while, learning strategy according to Ortlieb & Sieben, (2008) is characterized by new perspectives and approaches of work that are necessary for

process and product innovations. In this sense, learning is also a strategy which aims at adding value, and therefore the more educated an individual is, the more he will give a positive result to the organization.

Conclusion

Through our knowledge about the diversity strategies types, we found that the three types of diversity strategies (the strategy of adding value through temporary labor, learning strategy, and hazard strategy) are the most concerned by the Algerian SMEs under study, thus, this diversity will be reflected in a lot of human resource behavior and trends, which in turn will be reflected on the business performance (financial and social performance).

Through also collecting data on these diversity strategies, we were able to investigate the first and second hypothesis about how are diversity strategies types in the enterprises under study and also, about any performance that was given great importance by this latter, as we found that the strategy of adding value through temporary labor was in the first place, followed by learning strategy, hazard strategy, the strategy of adding value for mere labor, exclusion strategy, and anti-discrimination strategy, while we found business performance was in the first place, followed by financial performance, then social performance. As for the third hypothesis about the relationship between the six types of diversity strategies and business performance, we found a close and positive relationship between them. By this, we have been able to investigate the three hypotheses.

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