THE EFFECTS OF WORKFORCE DIVERSITY TOWARDS ORGANIZATIONAL CREATIVITY AND THE MODERATING ROLE OF KNOWLEDGE SHARING

Kannika Kannia Spran¹
Mohd Fitri Bin Mansor²
Muhammad Asyraf Bin Mohd Kassim³

¹,²,³School of Business Innovation and Technopreneurship, Universiti Malaysia Perlis, 01000 Kangar, Perlis, Malaysia.
kanna1712@yahoo.com; fitrimansor@unimap.edu.my; muhammadasyraf@unimap.edu.my

INTRODUCTION

In today’s globalize business environment, organizations face huge challenge in order to successfully survive in competitive market. As a significance, the organizations should continuously improve their performance in order to remain in competitive global market. There are several reason for the growing interest in creativity research. For innovation, creativity considered as fundamental for organizational performance and continuity in global market (Bodla, 2016). When the innovation process constantly demanding for novel solutions for products and service, creativity play an important role in merge and utilize diverse individual’s knowledge (Bouncken et al., 2016).

The present study explore one of most current topic which is organizational creativity. In early 1990’s, the issue of organizational creativity received significant attention in many area of social science (Giustiniano et al., 2014). Organizational creativity refer to the creation of valuable and useful new products, service, ideas, procedures or process by individuals who working together in complex social system (Woodman et al., 1993). Organizational creativity serves as creative result of groups, not happen simultaneously with innovation, while it accomplished by gradual changes.

Besides that, diversity refer to differences among individuals on any attribute that may lead to the perception that another person is different from the self (Bell et al., 2011). Highly diverse employees are expected to influence the organizational performance and contribute positively by producing creative outcome. According to Cocchiara et al., (2010) the main reason for most organization try effectively manage diversity is to achieve business
success, to remain competitive in global marketplace, increase creativity and innovation also motivate employees. Previous study proved that diverse workforce may increase the organizational creativity (Roberge & van Dick, 2010).

According to Horwitz (2007) stated that task related demographic diversity is more correlated to quality and quantity of performance. Thus, this study focused on task related demographic diversity such as functional background diversity, educational background diversity and organizational tenure diversity.

There are many issues regarding diverse workforce and creativity still in rise. In more specific context, issues on insurance industry in Malaysia still emerging. A highlighting issue was stated by Governor Datuk Muhammad Ibrahim which is “Malaysia Insurance industry not up to mark yet” published in the Edge markets (Supria Surendran, 18 October 2016). He stated that Malaysia insurance industry not achieved the result as expected. He pointed out that the growth of Malaysian insurance industry remains plateau, over past three years. In addition, the general insurance sector appears as more specialised risks in domestic capacity. From, the above issue clearly can understand the overall current situation of insurance industry in Malaysia.

Based on prior meta-analysis conducted by Bell et al. (2011) there is positive association between functional background diversity, education diversity on team creativity and innovation. Meanwhile, the researchers also found that there is negative association between organizational tenure diversity, race diversity and sex diversity with team creativity and innovation, then no effect on age diversity. Thus, the study indicated mixed findings. Furthermore, the study by Bodla et al. (2016) found there is negative association between surface level diversity (gender) with creativity, but there is positive association between deep level diversity and creativity

Based on above scenarios, there is gaps still exists between workforce diversity and organizational creativity. Previously, many studies reported that effect of workforce diversity on performance specifically organizational creativity are not clear such as generate positive and negative and not significant relationship (Bell et al., 2011; Chae, Seo, & Lee, 2015; Harrison & Klein, 2007; Horwitz 2007; Hu, Gu, & Chen, 2013; Shin, Kim, Lee, & Bian, 2012; Van Knippenberg, van Ginkel, & Homan, 2013).

In line with this, the above mentioned literature gaps are addressed, this present study intends to empirically examine the effect of functional background diversity, educational background diversity and organizational tenure diversity on organizational creativity, with knowledge sharing as the moderating variable. To the researcher best knowledge, this is pioneering study in terms of the integration of predictors (functional background diversity, educational background diversity and organizational tenure diversity) and the organizational creativity, with the moderating role of knowledge sharing in the context of service organization.
LITERATURE REVIEW

Functional Background Diversity

Functional background diversity refers to working experience in different industries and enterprise, or different departments of the same enterprise (Waller, 1995; Xueli et al., 2015). The employees from various functional background possess broad range of knowledge and outperform homogenous organization (Bell et al., 2011). Then, employees who engage in specific functional area in organization, can exposed on more knowledge and information on certain functional division. In functional diverse organizations, employees from various functional areas has relevant experience in proposed course of action which can achieved creativity in several ways such as; (Somech & Drach-Zahavy, 2011).

Besides that, Yoon et al., (2015) conducted study on influence of TMT characteristics on organizational creativity in Korea. The study adopted survey technique using 1500 respondents from A.T Kearney global consulting company. The results of study indicated that significantly and positively functional diversity TMT related to organizational creativity. According to (Boone & Hendriks, 2008) in their study on moderating impact of three mechanisms (collaborative behaviour, information exchange and locus of control) on TMT diversity and firm performance conducted in Belgian and Dutch companies. The findings indicated that TMT collaborative behaviour and information exchange requisite state to leverage the performance benefits functional background diversity, while LOC negatively related.

Moreover, Buyl et al., (2011) investigated the relationship between TMT functional background diversity and firm performance by posit the moderating role of CEO characteristics. The result of study revealed that the relationship between TMT functional background diversity and firm performance is significantly and positively moderated by CEO marketing specialist when dynamic and innovative context exist. The study of (Zhang, 2016) conducted to examined the effects of functional diversity on group creativity and the moderating role of group longevity. The result of study found that functional diversity significantly and positively related to group creativity when high group longevity.

Additionally, in the context of innovation some studies reported that functional background diversity related to creativity. For instance, (Somech & Drach-Zahavy, 2011) conducted study on translating team creativity to innovation implementation in Israel largest health maintenance organization. This study aim to purpose creative personality and team functional diversity will influence team creativity. Findings indicated that functional heterogeneity positively and significantly related to team creativity.

On the same vein, (Nakata & Im, 2010) investigated the spurring cross-functional integration for high new product performance using group effectiveness perspective in U.S high-technology manufacturing firms. The result of study founded that cross functional integration in new product development teams significantly and positively related to new product performance. Therefore, based on the above literature, this study come with the following hypothesis;

H1: There is significant relationship between functional background diversity and organizational creativity.
Educational Background Diversity

Educational diversity is considered as a good proxy for the knowledge pool available to the group (Wiersema & Bantel, 1992) and group decisions and actions that encompass the full range of perspectives are more likely to be effective Dahlin et al. (2005), research has failed so far to show consistent results concerning the impact of educational diversity on performance specifically organizational creativity (Curseu et al., 2012).

Indicatively, (Curseu et al., 2012) conducted study in Netherland on educational diversity and group effectiveness, a social network perspective. The aim of study is to investigate the relationship between educational diversity (variety and separation) on group effectiveness and mediating role of internal network density and external network range. The study founded that, educational variety negatively related to external network range and positively related to internal network density.

Moreover, (Thomas W H Ng & Feldman, 2009) conducted meta-analysis on how broadly does education contribute to job performance, by review literature until 2007 consists 293 empirical studies. The result of study indicated that education level significantly and positively related to creativity. Likewise, Valls et al., (2016) investigated the link between educational diversity and team performance, team communication quality and innovation team climate matter in province of Valencia. The main purpose of study to analyse the impact of education level diversity on team communication and team performance. Structural Equation Model were employed to analyse the data; it founded that the significant and positive indirect relationship between education level diversity and team performance was moderated innovation team climate.

Furthermore, (Kearney et al., 2009) investigated when and how diversity benefits teams, importance of teams members need for cognition. The results of the study revealed educational diversity were significantly and positively related to team performance.

Therefore, (Richter & Timmermans, 2011) conducted study on the effects of employee diversity on innovation in Danish firms. Econometric analysis were employed to analyse the data; the findings of study indicated that significantly and positively education diversity related to innovation.

Diversity of education found to moderate effectively the impact of specialization on fostering entrepreneurship. (Dutta, 2011) investigated the impact of specialization and diversity in education on fostering entrepreneurship. The result of study indicated that breadth or diversity of educational experiences has positive influences on future wealth creation. Therefore, in line with the above literature, this study proposed the following hypothesis:

H2: There is significant relationship between educational background diversity and organizational creativity.

Organizational Tenure Diversity

Organizational tenure diversity refers to the length of time an individual has been working at their current organizations thus, the period of working time employee accrued relevant
skill and knowledge (Gilson et al., 2013). Organizational tenure will promote the organizational performance by incorporating employees from different working period in organizational tenure and the employees will bring unique perspective to organizational development (Jackson et al., 1995). In past studies, organizational tenure has been examined as quantitative indicator of work experience and employees can expand work skill also access more knowledge about the organizations (T. W. H. Ng & Feldman, 2010).

Indicatively, (Poel et al., 2014) conducted study in the context of project teams, leadership effectiveness dependent on organizational tenure diversity. The study used quantitative technique with 219 team members and 37 team leaders as respondents. The findings indicated that significantly and positively organizational tenure diversity moderates the relationship between transformational leadership and creative behaviour. (Chi, Huang, & Lin, 2009) investigated the plausible curvilinear relationship between organizational tenure diversity and team innovation and moderating role of tem oriented HR practices. The results of data revealed that curvilinear relationship exist between organizational tenure diversity and team innovation, moderated by team oriented HR practices.

In addition, (Gilson et al., 2013) analysed study on cross-level impact of tenure diversity towards individual level creativity. The study employed quantitative technique, using 341 Korean insurance agents as respondent from 76 groups, Confirmatory Factor Analysis (CFA) Amos 19 were used to analyse the data. The result of study indicated that significantly and positively tenure diversity impact individual explicit knowledge and knowledge sharing. Steffens et al.,(2014) examined the relationship between organizational tenure and performance by emphasis on individual employee. The study employed Hierarchical linear modelling (HLM), the study found that employee organizational tenure, team leader tenure and team organizational tenure was positively related to employee performance.

Furthermore, TMT tenure was found moderate effectively the impact of diversity on firm performance. (Nielsen,2015) investigated the relationship between TMT nationality diversity and firm performance. Result of study revealed that TMT tenure has positive influence on TMT nationality diversity and firm performance. Besides, (T. W. H. Ng & Feldman, 2010) investigated the relationship between organizational tenure and job behaviors, such as core task behaviors, and counterproductive behaviors. The result of study found that organizational tenure has very weakened positive relationship between creativity in core task performance. Therefore, in line with the above literature, this study proposed the following hypothesis;

H3: There is significant relationship between organizational tenure diversity and organizational creativity.

**Knowledge Sharing**

Nowadays, organizations operated in knowledge based economy which mainly emphasized on the combination and utilization of diverse knowledge Tsai et al.,(2014). Ooi et al.,(2012) stated that knowledge is one of the factor effect success of business organizations through employees with necessary and right information, which make the organizations better than competitors. Information that an employee knew is known as
knowledge. Knowledge is a crucial asset for organizations to obtain sustainable competitive advantage (Yu et al., 2013).

The mostly accepted definition of knowledge sharing is the exchange or provision of information and know-how to help and collaborate with others to solve problems and develop new ideas (Cummings, 2004). Kessel et al., (2012) defined knowledge sharing as the degree to which team members share information, idea, knowledge and experience. According to (Khalili & Shea, 2012), knowledge sharing is the backbone for the four knowledge creation process which is socialization, externalization and internalization, which have been identified in the SECI model proposed by (Nonaka & Takeuchi, 1995).

There are past literature conceptualizing differently the term of knowledge sharing. Buyl et al., (2011) conducted a study to examine TMT functional diversity and firm performance relationship, especially their impact on exchange and distributed knowledge within TMT. The results of study indicated positive association between TMT functional diversity and Distribution of knowledge. In line with this, Hirunyawipada et al. (2010) examined cross functional integration (CFI) as knowledge transformation mechanism. on the study, researcher stated that more CFI members with functional expertise possess collective knowledge.

Therefore, Ghobadi et al. (2012) present a model for predicting knowledge sharing in cross functional teams. The findings indicate that cross functional teams directly influence knowledge sharing behaviour. Therefore, in line with the above literature, this study proposed the following hypothesis:

H4: Knowledge sharing moderates the relationship between functional background diversity and organizational creativity.

Previous empirical studies have been investigated the educational background diversity and knowledge sharing relationship (Balogun, 2014; Johan, 2013; MacCurtain et al., 2010b). In addition, Johan (2013) examined the antecedents of TMT and role of knowledge integration in Higher education, data were collected from 33 Higher Education Institutions in West Sumatera consists 136 leaders as respondents. Results shows that significant and positive relationship between educational background diversity and knowledge integration. In line with this, MacCurtain et al. (2010) conducted study on TMT reflexivity, knowledge sharing and new product performance in Irish Software Industry. Results of study showed educational level of TMT has indirect positive effect on knowledge sharing.

In line with this, Balogun (2014), investigated influence of demographic variables on tacit knowledge sharing. The result of study indicated positive relationship between educational and tacit knowledge sharing. Therefore, in line with the above literature, this study proposed the following hypothesis:

H5: Knowledge sharing moderates the relationship between educational background diversity and organizational creativity.

Several empirical studies have been dedicated to examining the organizational tenure and knowledge sharing relationship.
Balogun (2014) examining the influence of demographic variable on tacit knowledge sharing in General Hospital at Nigeria involving 328 respondents. The result of study showed tenure significantly and positively related to knowledge sharing. In line with this, Gilson et al. (2013) conducted study on cross level effect of tenure diversity on individual creativity using 341 Korean insurance agents. Result of study indicated tenure diversity positively related knowledge sharing.

In addition, MacCurtain et al. (2010) found indirect effect between tenure diversity and knowledge sharing. In a related study, Huang et al. (2005) found positive relationship between long tenure diversity and knowledge creation. Therefore, in line with the above literature, this study proposed the following hypothesis;

H6: Knowledge sharing moderates the relationship between organizational tenure diversity and organizational creativity.

**METHODS**

This study develops theoretical framework that extend prior research by explore how workforce diversity (functional background diversity, educational background diversity, organizational tenure diversity) and when knowledge sharing influences organizational creativity. This study constructed based on reviewing previous studies literatures on the specific variables in order to develop theoretical framework on workforce diversity and organizational creativity.

![Theoretical framework](image)

**Figure 1.1**

Theoretical framework
RESULTS AND DISCUSSION

After reviewing the past literature studies, there are several variables have been proposed for the current study. The result of current study made by investigating workforce diversity (functional background diversity, educational background diversity, organizational tenure diversity) and the moderating role of knowledge sharing influences organizational creativity. Furthermore, the study also had proposed several hypothesis as follow below;

H1: There is significant relationship between functional background diversity and organizational creativity.

H2: There is significant relationship between educational background diversity and organizational creativity.

H3: There is significant relationship between organizational tenure diversity and organizational creativity.

H4: Knowledge sharing moderates the relationship between functional background diversity and organizational creativity.

H5: Knowledge sharing moderates the relationship between educational background diversity and organizational creativity.

H6: Knowledge sharing moderates the relationship between organizational tenure diversity and organizational creativity.

Reliability Analysis

The present study conducted pilot study to refine the measure prior to its distribution for actual data collection. In this study, a pilot study was conducted using 40 questionnaire and the 30 usable data were used for analysis. According to (Johanson & Brooks, 2010), minimum 30 participants would be sufficient for the pilot study.

The result of the reliability test of this study indicates that, all the instruments have high reliability values such as ranging from 0.69 to 0.80. According to Sekaran et al. (2010), an instrument with coefficient of 0.60 is regarded as average reliability, while coefficients with 0.70 showed high reliability level. Table 1.1 showed the summary of reliability results.

<table>
<thead>
<tr>
<th>Construct</th>
<th>Number of items</th>
<th>Cronbach’s alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational creativity</td>
<td>5</td>
<td>0.791</td>
</tr>
<tr>
<td>Functional background diversity</td>
<td>5</td>
<td>0.671</td>
</tr>
<tr>
<td>Educational background diversity</td>
<td>8</td>
<td>0.759</td>
</tr>
<tr>
<td>Organizational tenure Diversity</td>
<td>6</td>
<td>0.874</td>
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<tr>
<td>Knowledge sharing</td>
<td>5</td>
<td>0.863</td>
</tr>
</tbody>
</table>
CONCLUSION

As a conclusion, the current study conducted on the effects of workforce diversity (functional background diversity, educational background diversity, organizational tenure diversity) and on organizational creativity and the moderating role of knowledge sharing. Again, the study analysed the impact of each diversity variable separately on organizational creativity. The study revealed that positive relationship between workforce diversity (functional background diversity, educational background diversity, organizational tenure diversity) on organizational creativity. Also, the study showed knowledge sharing as moderator indicated positive relationship between (functional background diversity, educational background diversity, and organizational tenure diversity) on organizational creativity. The findings of current study will assist future practitioners and organization to effectively collaborate the specific diversity to achieve organization success. The proposed framework that should in principle apply, may act as guideline for future research in diversity. Last but not least, the proposed theoretical framework can be tested in the next research.

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