Relationship between Diversity Management and Human Resource Management: Their Effects on Employee Innovation in the Organizations

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Abstract

Diversity management points to organizational systems aimed at increasing the formation of workers of different backgrounds into the structure of organizational objectives. To create a creative enterprise, which can improve their operations, products, and services, organizations should find productive ways on diversity management (DM) policies. Besides, human resource management HRM is a smart tool of any organization to manage resources within the company in this respect. Accordingly, the current paper investigates the relationship between DM, HR practices, and employees' innovative work-related behaviors in the organizations in Sulaymaniyah city of Kurdistan. The result of the study revealed that human resources management practices have a significant impact on diversity management. Secondly, it was observed that diversity management had a significant impact on innovation. Lastly, human resources management practices had a significant impact on innovation. Based on the results, it was revealed that diversity management had a more significant impact on innovation in comparison with human resources management.

Keywords: HRM, diversity management, training, innovation, Kurdistan, Iraq

Introduction

Every organization wants to have skilled and trained people to reach competitive advantages in the market. So far, the human factor is one of the crucial factors in the companies whose efforts has a key role on the quality products or services (Ali et al., 2020; Torlak et al., 2019). Accordingly, the meaning of HRM or human resource management; Human: - refers to the people who work in an organization, Resource: - refers to the availability of scarce resources, Management: - refers to how the organization makes the best use of limited resources to meet the organization goals. Therefore, human resource management is designed for the effective use of available skilled workers and also to make efficient use of the workers in the organizations (Mohammed et al., 2020; Zardasht et al., 2020).

The HRM actions generate four forms of outcomes (affective, behavioral, conceptual, and conversational) affecting the performance of individuals, groups and organizations, whereas the HRM has significant effects on the company by achieving their goals through workers (Hadi et al., 2018, Demir et al., 2015). Besides, HRM is a method that the organizations use to select, train, and motivate, employees and managers to meet the organization's purpose (Poturak et al., 2020; Unsur, 2019).

Nowadays, so many experts believe that technology and machines are replacing human resources as they reduce their importance (Sahin, 2014; Sulich & Zema, 2018). The role, effort, tools and technology are established by the human being and need to be operated by a human or at least controlled by a human, so nowadays most companies are looking for skilled and talented people for their companies so that there is a significant change from past till now (Budur et al., 2019; Demir et al., 2021; Torlak et al., 2021; Zaim et al., 2012). Because of the fast-changing environment importance of HRM in the organizations is increasing to reach effectiveness in the market through trained staff.

Further, HRM is essential for every organization in many cases. For example, to provide safety environment, to reduce risks, to train employees based on the departmental needs, to safe employee rights, and to provide healthy working conditions that has significant impacts on organizational productivity respectively (Keceli et al., 2020, Demir, 2020). Furthermore, HRM facilitates the hiring processes within the organization which has a direct effect on selecting staff based on the organization's needs and wants, and establishing a fair room for managers by facilitating decision-making process.

Diversity management refers to organizational management that promotes more magnificent formation of workers from different backgrounds into a corporate structure through special programs and policies (Abidi et al., 2017, Demir, 2020). Besides, diversity management can be an invention for a company as finding out new skills or new ideas, which can increase productivity (Keceli et al., 2020). Each organization that guides its organization through diversity management can hire and manage employees from around the world, or from diverse backgrounds to design their firms in innovative and specific structures to reach efficiency and effectiveness (Macalik & Sulich, 2019, Demir, 2019). Furthermore, current literature revealed that diversity management, has two parts: International diversity management which refers to companies and organizations managing and designing the structure of a workforce that contains citizens in a single nation; and secondly, cross-national diversity management refers to companies or organizations that manage the construction of a workforce that includes employee from different countries.

Moreover, innovation is a key factor to leverage business success through generating new ideas, new skills or capabilities which are significantly associated to organizational efficiency and profitability (Budur & Demir, 2019a). Besides, innovation adds consistent value to company and differentiate the products and services from competitors, whereas it can help the company to adapt sudden changes and customer requirements (Budur & Demir, 2019b).

In line with these, the aim of the current paper is to search the effectiveness of DM policies of the companies in line with HRM practices in the Kurdistan Region to improve employees' innovative behaviors and to promote organizational success. Based on these, Kurdistan Region is a developing country in the region (Budur & Poturak, 2021). Despite economic and political problems with the central government of Baghdad, region is still developing in accordance with investments and foreign businesses (Budur, 2018a). Therefore, it is aimed to find out how foreign companies use their capacities to make profit from diverse workforces.

Literature View

Diversity Management

Diversity management is a company's strategy to make use of different backgrounds of the employees for the profitable processes (Demir et al., 2020). In this respect, employees' gender, education, experience, culture, and other different specialties could be used for the advantageous of the company (Top et al., 2020; Budur & Poturak, 2020). Researchers noted that effective diversity management provides a company long term competitive advantageous (Pattnaik & Tripathy, 2014, Zaim et al., 2020, Demir, 2019). Similarly, Cox and Blake (1991) noted that managing diversity has significant impacts on human resources, marketing success, creativity and innovation, problem-solving quality, and organizational flexibility, which are the important indicators of business performance. Further, they put forward that focusing organizational capabilities for improved diversity management will be positively related to employee commitment and innovative behaviors in the workplace.

Human Resource Management

HRM practices are a company's policies that used for hiring correct employee for the organization, providing training programs, using suitable rewarding programs to increase motivation, and using different tactics to support employees in the workplace (Faeq, 2020). Also, there are a large number of HRM practices that have shown a considerable advantage and excellent performance for the companies, and employees (Durmaz, 2017; Zardasht et al., 2020). Based on the effectiveness of the HRM policies companies can reach the organizational objectives.

Further some of the HR practices could be mentioned as; Selective hiring (companies just don't hire anyone; for example, the person that will be employed should have a specific certificate or experience), providing security to employees (protecting workers and providing a secure and healthy working environment), rewarding (The reward is a positive outcome given by the authority to the worker that has an excellent performance in the organization, training and development (Training and developing the employees in the organization is an essential task to be done in this century. Training the employees is very significant to increase productivity in the company) (Altun, 2017; Mohammed et al., 2020; Serin, 2018; Zaim et al., 2020, Demir et al., 2020). Furthermore, Kozlowski (1987) noted that HRM practices are surely fixed in organizational strategy to make innovation easier. At the same time, Roberts (1988) also noticed that all four dimensions of staffing, structure, strategy, and system support were central to successful innovation.

Innovative Culture

Innovation is the company's capacity or capability to follow environmental fluctuations and to adapt those factors for the long-term performance (Konakli et al., 2017; Tajeddini, 2016, Demir & Bulut, 2018). Further, changes in the environment have two types of consequences on the company, on one side it will be opportunity on the other side it will be a risk factor for the company (Nicholson, 1996). Besides, the change is one of the most successful ways of taking the company to the top in the market (Budur, 2018b). Accordingly, culture in the organizations represent employee's perception and responses according to events and activities (Sandybayev & Yilmaz, 2015). In line with these, administrator's management style is an important factor on the culture of a company to be innovative

or bureaucratic orientation (Mete, 2017). Further, Mete noted that having innovative regulations and being innovative based on the market fluctuations positively related to company's effective performance. Accordingly, managers' perception and support on the diverse workforce and HR policies will be positively influential on the innovative culture of the company. Human resource management; is the crucial path that makes workers in a company to be managed effectively, and their business will be supported by increasing their competitive advantage (Budur et al., 2018). Through people, an institution can ensure that they will reach advantageous compared to their competitors which is the overall objective of management system (Demir & Budur, 2019). Accordingly, innovation is a crucial factor on the company's long-term success and sustainability that provides effectiveness within the organization (Demir et al., 2019, 2020).

Hypotheses of the Study

H1 HRM has significant relations with diversity management

H2 HRM has significant relations with innovation

H3 Diversity management has significant relations with innovation

Methodology

In this study we collected data from 157 employees and managers who were randomly chosen from 21 small and medium enterprises in Kurdistan Region of Iraq. They were given survey questionnaire to fulfill about their position. Initially, we visited those employees and managers in their sites. We asked them to fulfill the questionnaire prepared for them. Among those, 168 returned the papers back. After checking the papers, it was observed that 11 papers were inappropriate or incomplete. Hence, they were subtracted from the data set. Finally, 157 data were appropriate to start with the data analysis.

The survey was sponsored by Tishk international university to facilitate collecting data for the study. Survey questionnaire consisted of three dimensions as recruitment & performance management (6 items), career planning (4 items), and innovative culture (8 items). In total, there were 18 questions in the survey questionnaire. Among the dimensions, recruitment & performance management dimensions were adopted from the study of Zaim (2016) and innovative culture was adopted from Mete (2017). Likert's Scale was used to rate each item; 1 meant strongly disagree and 5 meant strongly agree. We initially conducted EFA for validity analysis and Cronbach's Alpha for testing the reliability of the questionnaire. Secondly, we used regression analysis to test the hypotheses. Lastly, we interpreted the results in the conclusion part.

Research Findings

Correlation and Covariance Analysis

Table 1 shows the result and the analysis between two variables. Moreover, covariance indicates the direction of a straight relation between variables whilst correlation measures the strength of the relation between those two variables and the course of the direct ties. Covariance is an essential component of the correlation. What defines them is how correlation esteems are legitimized while, most definitely, covariance respects are not. Through isolating the covariance of both factors by the

product of standard deviations with identical values, one will get the coefficient with the interaction between two variables.

Table 1 Covariance and correlations

Hypothesis No	Independent	Dependent	Covariance	Correlation
H1	HRM	DIV	0.31	0.62
H2	HRM	INOV	0.28	0.37
H3	DIV	INOV	0.27	0.4

In Table 1, we see the independent variable HRM and dependent variable diversity management. HRM and diversity management has a positive relation, which means that these companies were having good creativity and good employee engagement and cultural insights. However, the HRM with a covariance of 0.31 and a correlation of 0.62 has a positive and significant connection over diversity management. Secondly, we see the independent variable, which is HRM, and dependent variable, which is Innovation. HRM has a positive relation with innovation, which means that these companies are having effective ideas, methods, and technologies to help serve the organization's ever-evolving needs and workforce. It's about forecasting potential needs and circumstances, rather than just finding an answer to a changing current situation. And the HRM with a covariance 0.28 and correlation 0.37 have a positive and significant connection over innovation.

Lastly, we see in Table 1 the independent variable, which is diversity management, and dependent variable which is Innovation. Diversity management has a positive relation with innovation. This means that positive associations include diversity in multicultural teams like increased levels of innovation, creativity, and problem solving. And the diversity management with the covariance of 0.27 and correlation 0.40 has a positive connection over innovation.

Regression Analysis

Regression analysis is a fact-based feature that enables to evaluate the connection between at least two prime factors. Although there are multiple sorts of regression analysis, they all analyze the impact of at least one independent factor on a dependent variable at their parts. R is a measure of how the factors shift, and its link to one another.

Table 2 Regression analyses

Independent	Dependent	Adjusted R Square	Coefficients value	T stat	Result
HRM	DIV	0.37	0.56	9.72	Accepted
HRM	INOV	0.13	0.50	4.91	Accepted
DIV	INOV	0.15	0.60	5.41	Accepted

In the first hypothesis, the impact of HRM on diversity management is moderate because the result is 0.37. This study finds that merit-based practices and diversity management have independent positive effects on organizational performance, however the relationship between diversity and workforce performance is also significant. In turn, gender equity and diversity management ease the impact of merit-based activities on the organization's results.

In the second hypothesis, the impact of HRM on innovation is significant, but relatively weaker because the adjusted r square result was 0.13. This means that HRM system emphasizes training, performance-based reward, and team development which are needed to concept an organizational culture to inspire innovation.

In the third hypothesis, the impact of diversity management on innovation is significant; the relation between them is higher than the relationship between HRM and innovation. But the relation is less than HRM and diversity management. Thus, H1, H2, and H3 all have been accepted.

Conclusion

According to the survey there were three hypotheses; HRM impact on diversity management, HRM impact on innovation, and diversity management impact on innovation. The first hypothesis, diversity in the workplace influences the nature of working interactions, how bosses and managers communicate and how workers respond to each other. It also concerns human resources roles, such as track-keeping, training, recruitment, and HR personnel expertise requirements. The results showed that their impact is excellent and helpful for organizations.

The impact of HRM on innovation was positive which means these companies have an average attitude in the workplace which generates an environment of satisfaction among workers and also encourages employees to search and work harder. Competition can be seen as a motivator in a workplace which inspires employees to perform at their best to improve productivity. Also, an employee or manager attitude, mood, and emotions have an effect on your ability to make effective decisions, creativity level and ability to work well with others. Reckless behaviors, like rudeness and gossiping, also disrupt the workplace's steady functioning.

The last hypothesis diversity management impact on innovation means that workplace diversity helps an organization hire a large variety of different employees. In other words, a dynamic population requires individuals with various characteristics. Workplace diversity means the workforce of a company that includes people of different genders, ages, religions, races, ethnicities, cultural backgrounds, religions, languages, education, abilities, etc. The results showed that the companies need improvement in terms of work diversity to have a better workplace and to be a productive and profitable organization.

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