Trickling Down: How the Upper Echelon Effect Diversity within an Organization

Woojun Lee, Wilkes University

Management - Diversity (Other)
Poster
Abstract 2017-198

The ongoing globalization process has dramatically changed the sociological landscape in which we live. On a daily basis, people encounter, socialize, and execute their work with people from different ethnicity and nationality. As a result, the workforce is also becoming increasingly varied and diverse (Cunningham, 2007; Richard, Fubara, & Castillo, 2000; Tayeb, 2005). Therefore, the trend towards greater diversity in the workplace has drawn significant attention among researchers and practitioners in the United States over the past few decades (Earley & Gibson, 2002). Moreover, companies and organizations are acknowledging the necessity to leverage their diversity in the context of globalization in order to maintain their competitiveness in the marketplace (Roberson, 2006). However, many scholars have not been able to establish a definitive empirical link between diversity and performance in groups (Milliken & Martins, 1996), because investigations into the direct relationship between the two have produced variable results. In fact, the benefits of diversity are now considered to be one of the most important and influential factors for the success of a sport organization. This belief is primarily due to the evidence that it is related to increases in team performance (Cunningham & Sagas, 2004), enhanced creativity (McLeod, Lobel, & Cox, 1996), and a deep satisfaction found among diverse individuals (Jayne & Dipboye, 2004). With the clear potential for such positive effects, many sport organizations have begun to actively recruit diverse members to their organization and to create an atmosphere that celebrates diversity.

The conceptual framework for this study is based on Upper Echelon Theory, proposed by Hambrick and Mason (1984). The underlying premise of this theory is that the top managers of an organization, also known at the top management team (TMT), are a reflection of the organization itself. According to Hambrick and Mason (1984), managerial decisions are strongly influenced by behavioral aspects and characteristics of strong upper echelons and organization systems. Given that if the top managers of organizations put extensive effort on including and promoting diversity in the organization, the employees of the organization will value diversity as well. Furthermore, by focusing on diversity to a greater extent, the organizations or companies can signal the quality of the organization to the public. Signaling theory, as proposed by Spence (1973), posits that organizations use visible signals to gain reputation and status among the public. An organization makes these signals, which are comprised of bits of information, available to the general public to influence the views and feelings of fans, investors, employees, and other stakeholders in regard to the organization and, in turn, are then used by the public to evaluate the originator's capabilities (Ferrier, 1997; Fombrun & Shanley, 1990; Mahon, 2002). More specifically, research has shown that, because of information asymmetries, the public often processes both actions and symbols internally to create an opinion of an organization’s reputation and quality (Ferrier, 1997; Fombrun & Shanley, 1990; Spence, 1973). The amount of diversity is also considered a signal and previous studies have shown that an organization’s quality can be judged by how solidly that organization is committed to diversity (Albinger & Freeman, 2000). Given this fact, I propose that it can be an effective tool to signal the quality of organizations to the public if the TMT and organizations focus more on diversity. By doing so, the organizations’ reputation will be influenced by the signal.

Therefore, in this conceptual paper, I argue that combining the upper echelon theory with diversity can be an effective tool to signal the quality of the organization to the public. The signal that the organization sends to the public will result in promoting organizational reputation. This promotion will also positively influence the organizational performance. Consequently, top managers who pay more attention to diversity in the organization can influence the organizational performance using organizational reputation as a moderator.

Bridging disciplines is an enriching yet challenging task that involves understanding the history of the field, the major theoretical streams and the applied methodological approaches. This conceptual paper is not limited to the tradition of a single research stream and as such draws upon not only theories but also analytical techniques and methodologies from a number of disciplines. Yet, the focus remains on the upper echelon theory as the main research stream to which this conceptual paper attempts to contribute.