
Diversity Management, Organizational Flexibility and Service Quality: A study of Hospitality Industry of Pakistan.

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Abstract

This study examined the relationship between diversity management and service quality by incorporating organizational flexibility as a mediator in the hospitality sector of Pakistan. Data were collected from 141 managerial level employees and the customers of the corresponding hotels offering their services in five cities of Punjab, Pakistan. Results of the study indicate that proper diversity management results in high service quality of hospitality sector and this relationship is mediated by organizational flexibility. Limitations and future research direction are also highlighted.

***Keywords:** Diversity management, Service quality, organizational flexibility, Hospitality sector, Pakistan.*

1. Introduction

In today's global and highly competitive environment it is necessary for organizations to pay more attention towards diversity management to achieve high service quality. In recent years, interest in diversity management has grown. Firms with diverse workforce are more innovative and have more chance for long term survival (Suzuki and Kodama, 2004; Breshi et al, 2003; Garcia-Vega, 2006). Diversity management is a procedure that unlocks the variety of talents which a diverse workforce brings to an organization and creates an environment where everyone can benefit (Caleb Rosado, 2006).

Workforce diversity refers to a workforce with different point of views, backgrounds, experiences, religion, culture, race etc. The three important types of workforce diversity are cultural diversity, inherent diversity and acquired diversity. Cultural diversity consists of variety of people with different culture, race, class and different backgrounds. Inherent diversity consists of people according to gender, age difference and acquired diversity can be learnt from others and can also be acquired from past experiences. Diverse workforce can help a firm to solve problem by generating new and different ideas and facts (Benavides-Velasco and Quintana-Garcia, 2008).

Diversity management suggests that there are differences among employees and if these differences are appropriately managed can help to get the work done more effectively and

efficiently (Bartz et al., 1990). Diversity provides different inputs, perspectives and interpretations that lead to high service quality and customer satisfaction in case when firm's diversity management is sound and strong. Diversity itself is not a big issue but diversity management has become a great challenge for current and modern organizations. Diversity management is reasonably and closely linked with service quality (G. Maxwell, M. McDouquall, S. Blair, 2000). Service industry has become an emerging and significant sector (Cronin & Taylor, 1992). Customers in today's competitive society demand better quality services. Delivering superior service quality appears to be a prerequisite for success in today's business environment (Parasuraman, Zeithaml & Berry, 1988).

Service quality is connected to customer's insights and customer potentials. Service quality is the customer's judgment of their perceptions about the quality of service they are using (Oliver, 1997). If perceived value of service quality is higher than expected value of service quality then it is considered to be excellent one. If both values are equal then service quality is satisfactory and if expectations not met, service quality is considered bad.

Organizational flexibility helps firms to align and adjust according to the changing environment in which they are operating (Kara, Kayis & O'Kane, 2002; Van Dam, 2004; Stavrou, 2005). Organizational flexibility demonstrate that only those organizations are good in diversity management which are ready to adopt change, not rigid which ultimately helps to achieve high quality service. Increasing market competition, technological developments, aggressive change, uncertainty of environment and customer high service quality demands etc. require rapid actions from organizations. A particular and purposeful change can only be experienced in an organization when the organization holds flexibility. Flexibility leads to change and allow firms to learn, adopt and change for quick response.

Surprisingly, while researchers in the fields of marketing and management have focused on service quality, very few researchers have studied the relationship between diversity management and service quality (Bowen, 1990). Several researches have only identified certain parameters that define quality (Gravin, 1987) or service quality index (Roth and Jackdon, 1995; Zeithaml, Parasuraman & Berry 1990). Current study is aimed at exploring these relationships and the mechanism through which diversity management impacts service quality.

1.1 Research Gap

A substantial research gap of this study is to advance literature by evaluating the role of organizational flexibility in the aforementioned relationship of diversity management and service quality.

1.2 Significance of the Study

The study is significance in that it had identified how hospitality sector of Pakistan can improve service quality by being more flexible through proper diversity management. In this study organizational flexibility is identified as a mediator to through which diversity management

impacts service quality. Managers of hospitality sector of Pakistan can use this guideline a way to improve service quality. Additionally, researchers in the field of organizational behavior can benefit from this study to identify further avenues of research as an extension of this model.

1.3 Research Questions

Following are the research questions of this study:

- Does diversity management affects service quality?
- Does organizational flexibility mediates the relationship between diversity management and service quality?

2. Theoretical Background

2.1 Diversity Management and Service Quality

The hospitality sector across the world persists to face many challenges in attracting and sustaining organizational workforce (Ghiselli et al., 2001; Chiang et al., 2005; Barrows, 1990). Diversity management in the field of human resources management is supposed to increase organizational and employee's performance (Adler, 1986). Diversity management suggest that there are differences among employees and if these differences are appropriately managed will facilitate work to be done more effectively and efficiently (Armstrong, 2009). In literature different models and theories exists which develops significant relationship between diversity management and service quality in hospitality sector.

Diversity management approach is essential need of hospitality industry to remain competitive through providing better service quality to its customers. Multicultural organizations are the most flexible firms which integrates diversity into the company's structure and also build appreciation among employees for individual differences and these firms through diversity management fosters service quality (Cox, 2001)

Cox's 1993 international model of cultural diversity lends support to explain the phenomena of diversity management and service quality. Cox (1993) on his empirical study has also developed a framework for diversity management. He argued that his model can be applied to all employees and many different types of diversity. The theoretical framework suggests that a combination of phenomena related to nineteen differences of workers combine to create potent effects on service quality and their experiences (Cox, 1993). Cox's model indicates the necessity of diversity management to enhance service quality. Diversity management is now being seen as a business necessity and operational tactic for long term survival.

Different studies have shown a strong connection between good diversity management and returns (Mendez & Hayles, 1997). Diversity management is a smooth way forward that potentially offers a new gate for opportunities to improve equality and service quality in the hospitality industry (Kirton and Greene, 2010; Yakura, 1996). Diversity management drives

innovation and creativity, a wide range of perspectives, better solutions for problems and effective alternatives (Adler, 1986). Better understanding of diversity management can help hospitality industry to integrate the different needs more effectively in their products and services offerings (Yeji Seo, 2012). To reap all the above benefits, diversity management must be managed effectively.

There is a necessity for diverse service employees to be capable of realizing their customers needs, to monitor and anticipate their expectations and to be competent to react appropriately and sensitively to these requirements and potentials. Thus diversity management is a best way to create more valuable relations between customers and service providers. This is particularly, imperative in hospitality industry where the customers are drawn from across the entire globe (Mkono, 2010; Christensen, 1993; Elmuti, 1993). Thus the above literature can be used to theoretically relate diversity management with service quality and provides the enough support for our first hypothesis.

H1. *There is a significant positive relationship between diversity management and service quality.*

2.2 Mediating Role of Organizational Flexibility

Organizational flexibility refers to the extent to which firms are capable of responding to the ever-changing needs of the external environment. Organizational flexibility helps to eliminate the idea of resistance to adopt change. When organizations are successful in overcoming resistance to change and embrace diversity, they become well positioned to handle resistance of all other types of change. Organizational flexibility has often been defined as the ability of organization to respond effectively to changing circumstances (Piore, 1989). Flexibility is an essential and key component of successful management practices (S. Burud & M. Tumolo, 2004).

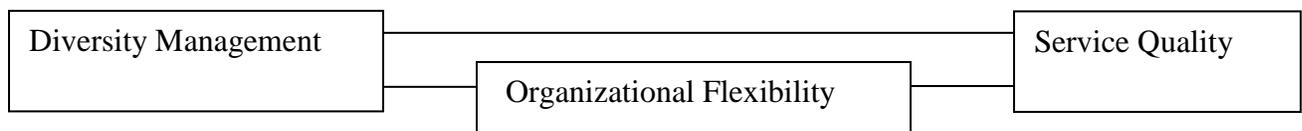
Introducing and valuing diversity management throughout the organization will fosters system flexibility, as the organization will become more flexible, fluid and more responsive to environmental changes (Agócs and Burr, 1996). There are different forms in which flexibility in organization may appears such as flexibility in products, procedures, services, labor, speed, technology, culture and organizational structure (Volberda, 1997; Johnson et al., 2006). Organizational flexibility seems to be jointly responsible for the sustainability, constancy and especially for the success of an organization (Johnson, Scholes & Whittington, 2006). Organizations strive for flexibility in all aspects because it helps them to adjust and align their strategies with the changing environmental context in which they are operating (Kara, Kayis & O'Kane, 2002; Van Dam, 2004; Stavrou, 2005). In more uncertain situations organizations needs more flexibility as a complement for planning (Volberda, 1997).

There is no chance of success for organizations without flexibility. Concern on organizational flexibility has been nascent in the last decades and various approaches have materialized with the

great focus on proportions of organizational flexibility (Hatun and Pettigrew (2006) ; Sanchez (2004); Verdú-Jover et al. (2005) Eppink (1978);Volberda (1996). In this study we argue that diversity management is essential for enabling organizational flexibility which in turn helps to provide better service quality to customers. So there is sufficient support for our second hypothesis.

H2. *Organizational flexibility mediates the relationship between Diversity management and service quality.*

3. Theoretical Framework



4. Methodology

4.1 Instrumentation

The research used primary data from the selected study population and sample. The factors investigated in this study were measured by previously developed and well-established scales including five-point likert scale with anchors ranging from strongly disagree (1) to strongly agree (5). Service quality, a dependent variable of this study, was measured by the well-known scale called SERVQUAL scale. It is an assessment instrument which declares to determine service quality in any sort of service organization and developed by Parasuraman et al. (1988). Diversity Management was measured using scale designed by Faridah Awang et al. (2014). Organizational flexibility was measured by using scale developed by Malcolm G. Patterson et al. (2005).

4.2 Population and Sample and Sampling Technique

Managerial level employees and customers of hospitality sector of Pakistan were population for this study. Sample of this study is mainly consisted of twenty hotels and restaurants offering their services in five cities of Punjab, Pakistan (Sargodha, Lahore, Gujranwala, Jhelum and Islamabad). To make the task easier convenient sampling technique is used to collected data. Managerial level employees of the twenty hotels and restaurants were contacted for collecting data on diversity management and organizational flexibility. For each hotel and restaurant 10 questionnaires were distributed. From 200 distributed questionnaires, 178 questionnaires were received back out of which 37 questionnaires were incomplete. Consequently, 141 completed questionnaires were used for data analysis. Same number of questionnaires was got filled from the customers of the corresponding hotels about their perceptions of service quality of the said hotels.

5. Results and Discussion

Respondents include both males and females 22.8 % respondents were females and 77.2% were males. Most respondents were married 69.2%, while unmarried respondents were 30.8%. Additionally, information regarding work experience of respondents was as follows: (18.9%) of the respondents were having work experience up to 5 years, 66.5% were having working experience of 6 to 10 years. 9.3% of the respondents were having working experience of 11 to 15 years. and 5.3% of the respondents were having more than 16 years of experience.

Table 1 shows bivariate correlations among all the study variables. it can be seen that Diversity management is significantly positively correlated with service quality ($r=.34$, $p=.000$). Organizational flexibility were introduced as mediator in the present study was positively associated with independent variable i.e. Diversity management ($r= .31$, $p=.000$). Similarly, it was too positively related with dependent variable service quality ($r=.51$, $p= .000$).

Table 1

Bivariate correlations of all study variables

	Mean	SD	1	2	3	4	5	6	7
Age	1.80	.89	1						
Experience	2.09	.90	.20*	1					
Gender	1.41	.53	-.12	.08	1				
Marital Status	1.40	.53	.52**	.23**	-.03	1			
Diversity management	3.83	.65	-.01	.16	.00	.12	1		
Organizational Flexibility	3.65	.65	-.08	-.18*	.13	.01	.31**	1	
Service quality	3.80	.43	-.19	.09	-.13	-.02	.34**	.51**	1

* $P < .05$ ** $P < .01$

Table 2 provides the results for the conjectured associations amongst the variables. The inclusive model summary ($F=29.1001$, $p < .000$) provides significant results. The results disclosed that diversity management was significantly related with service quality ($\beta=.34$, $p= .000$) thus results support the first hypothesis of this study. Diversity management is positively associated with organizational flexibility according to the results ($\beta= .31$, $p=.000$). Similarly organizational flexibility is also positively associated with service quality as ($\beta= .51$, $p=.01$) thus second hypothesis of this study was also accepted.

Table 2

Regression analysis for outcomes

Predictor	Service quality				Organizational flexibility			
	B	t	R ²	ΔR ²	B	T	R ²	ΔR ²
Step 1								
Control Variables	0.01							
Step 2								
Diversity management.	.341**	4.28	.117	.110	.31**	3.83	.09	.08
Organizational flexibility	.51**	6.97	.26	.25				

We used mediational analysis using bootstrapping technique presented by Preacher and Hayes (2008). It is a non-parametric method that engenders an approximation of the indirect effect, comprising a 95% confidence level. When zero is not in the 95% confidence interval, one can be confident that the indirect effect is significantly different from zero at $p < .05$ (two tailed). This method allows the inadequacies of the prior stepwise tactic for testing mediation (Hayes, 2008, p. 166). Moreover, superior outcomes can be drained with this process. In this current study 95% confidence intervals, 5000 bootstraps resamples were used. The mediation analyses (using Model 4 PROCESS Macro for SPSS) were run distinctly for independent variable to check indirect effects. **Table 3** depicts the indirect effect of diversity management on service quality. As zero does not fall in the lower and upper bounds of the bootstrap results, so it is confirmed that the the effect of diversity management on service quality is mediated by organizational flexibility.

Table 3

Organizational flexibility as a mediator between the D.M (IV) & S.Q (DV)

IV	Effect of IV on M	Effect of M on DV	Direct effect	Total effect	Bootstrap results for indirect effects	
					LL 95 CI	UL 95 CI
Diversity management	.31**	.29**	.14**	.23**	.04	.16

** P < .01

6. Limitations and Future Research

There are some limitations of this study. Firstly, the convenient sampling technique was used to collect data from only five cities of Punjab, Pakistan. Future researchers can replicate this study by incorporating more data from diverse cities of Pakistan to make the results more

generalizable. Secondly, future researchers should collect longitudinal data instead of cross sectional or time lagged data to establish casual relationships more explicitly. Furthermore, sample size of current study is not so large. Results will be more generalizable and robust if future researchers will take the opinion of a large number of sample.

7. References

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