

CHAPTER II

LITERATURE REVIEW

2.1 Introduction

As we already know that business in this modern era is growing rapidly. Taking how companies is recruiting foreign employees as an example, the dispersion of people all across the globe has expanded. Business has become international and workforce has become more diverse. Furthermore, business tries to create innovation to be able to be a going concern. In this case, innovative work behaviour is needed. These two phenomena are the main concern of this research, and to figure out the correlation and also how it affecting each other is the aim of the researcher to perform this research. As a result, later the founding of this research may help companies to realize the importance of diversity related to enhancing innovative work behaviour.

2.2 Diversity

2.2.1 Definition of Diversity

Before we proceed to the definition of diversity, we can try to extract the origin of the word itself which resulting the word 'Diverse'. Diverse according to Meriam Webster dictionary means differing from one another or and composed of distinct or unlike elements or qualities. On the other hand, diversity means the condition of having or being composed of differing elements, an instance of being composed of differing elements or qualities: an instance of being diverse. Understanding both diverse and diversity, we can conclude that diversity it is

mainly about differences of one population. Diversity, in its broadest sense, has been defined as anything people could use to tell themselves that another person is different (Jackson, 1992). It is any aspects that is used on groups and people to differ them from one another. In a workplace, the presence of diversity resulting the workplace to be heterogeneous in terms of gender, race, and ethnicity. It shows that workers have distinct elements and attributes that distinguish them from one another.

Practically, diversity in the work place is not something new. In fact, it even evolves as the time goes by. Lifestyle has transitioned, providing fast travel advantages and sophisticated communication media that eventually leads to a smaller and more interactive world. Enabling fast information access and easier migration from one area to another one. Diversity has become an indispensable part of organizations and will continue to remain essential over the next decade in all countries and companies (Goodman, 2013). Anywhere you are going to work, you are exposed to a diversity dynamic. You are going to meet people across the state, country, or even continent, especially if you work in an international company. It is rare to find a workplace that does not have any kind of diversity, since globalisation became faster resulting in escalated number of transmigrations and wider distribution of workforce.

We are unable to deny that the presence of diversity brings advantages to the workplace. As a “business case,” diversity is believed to engender competitive advantage by establishing a better corporate image, attracting and retaining human capital, and improving group and organizational performance (Bleijenbergh et al.,

2010). One common focus across the varied literature is that immigration produces cultural diversity, which is thought to promote new ideas and perspectives (Ottaviano & Peri, 2006). Every company and organizations eventually will be exposed to diversity not only because they have to, also because they need to. Hence, having diversity in the workplace is something that cannot be hindered and it is something important to be developed. Therefore, diversity is important in the workplace, and it will continue to remain crucial.

2.2.2 Dimensions of Diversity

To recognize differences, it is needed to do an observation. Based on existing observation there are two types of diversity. The most consistently used typology categorizes diversity into two groups. First is the observable, visible, readily detectable attributes such as age, gender, and race, and second is non-observable, less visible, underlying attributes such as personality and values (Milliken & Martins, 1996). These different dimensions resulting in different individualistic aspect. Therefore, it is needed to know what are the differences and how it affects individuals as a person.

1. Visible Dissimilarities (Observable)

Visible dissimilarity is also known as surface-level diversity. It is defined that visible dissimilarity as the diversity that is associated with demographic variables that are most likely visible to teammates, such as age, gender, race/ethnicity and tenure (Price et al., 2002). Individuals are most likely to start their initial categorization of others based on surface-level

attributes and visible dissimilarity and continue to categorize on in-group out-group members based on cognitive group diversity, while “People use accessible categories to make sense of their social context” (Hogg & Reid, 2006). Visible dissimilarities help individuals to be able to instantly differentiate themselves from others. And also, it enables individuals to find inclusiveness and sense of belongings. As example we have gender, race, and ethnicity. Practically, it is everything that is visible under plain eye sight.

2. Cognitive Group Diversity (Non-observable)

Cognitive group diversity also well known as deeper level diversity. Cognitive group diversity defined as perceived differences in knowledge, values and skills between individual team members (Van der Vegt & Janssen, 2003). It needs time to be unveiled and it cannot be discovered only by eye sight. Bonding and further observation are needed in order to identify this type of diversity. Cognitive diversity refers to differences between team members in characteristics such as expertise, experiences, and perspectives (Miller et al., 1998). As another example, beliefs and values are also a part of cognitive group diversity.

2.2.3 Social categorization of diversity

The notion of diversity is very broad, but one of most used theory to understand it is by using the social categorization theory. According to social categorization of diversity, individuals will first categorize “us” versus “them” based on visible dissimilarity. This will then further trigger categorization based on cognitive diversity and will in turn relate negatively to Innovative Work Behaviour (IWB). We then deepen the psychological mechanisms behind this process and provide evidence that the climate in which individuals propose new ideas and solutions impacts the effect of cognitive diversity on visible dissimilarity and IWB (Turner & Reynolds, 2012).

People use social categorization process where individuals who are visibly dissimilar (non-prototypical) in a working environment may be classified as out-group members. Thus, they will neither be engaging in collaboration nor exchanging information with other colleagues (Byrne, 1997). After some time, cognitive group diversity eventually will come up to the surface, showing more about how a person is. When group members categorize themselves and others in terms of a higher-order identity, it is more likely that they will depersonalize out-group members rather than perceiving and valuing their unique individuality (M. A. Hogg et al., 1995).

However, based on the social categorization process, we predict that visibly dissimilar employees may face additional difficulties in cooperating with their co-workers due to discouraging communication, distrust and less knowledge sharing, and thus, individuals will be less likely engaged in the IWB. Taking a

step further, predicting that visible dissimilarity will further trigger social categorization due to the depersonalization process (M. A. Hogg & Terry, 2000). According to previous research conducted by Hogg and Terry, there are more findings that suggest visible dissimilarities affect innovative work behaviour negatively, namely Parillo and Donoghue (2005) that state “When a worker is placed in a group with workers from nationalities other than his/her own, the worker is likely to maintain social distances” (Parillo & Donoghue, 2005) and (Verkuyten & Kinket, 2000), “Social distance is defined as the degree of (un)willingness to interact with other group members” (Chan & Goto, 2003). Both resulting in the blocking of idea generation in breeding an innovative work behaviour.

2.2.4 Benefits of Diversity

Visible dissimilarities and cognitive group diversity both have positive and negative effects on innovation. There are specific good reasons of why company tried to promote certain things. Th to enhance diversity in the workplace, diversity has the potential to be highly advantageous to organizations (Hudson, Jr., 2014). The reason behind this statement is that diversity improve performance due to a better talent pool and improved skill base as a result of an enhanced recruitment process and adds various ‘soft’ outcomes such as increased learning and innovation, the avoidance of groupthink, higher job satisfaction and a generally better work environment (Morten et al., 2010).

On the other hand, research drawing on information/decision making suggests that a diverse workforce leads to improved decision-making processes by

increasing creativity and innovation (Bantel & Jackson, 1989). Different dimensions of diversity lead to various work outcome, and one of them is innovation. Research has shown that both types of group diversity may have both beneficial and detrimental effects on team functioning. Not all dimensions of diversity will promote innovative work behaviour but some research stated that demographic diversity may offer some advantages, including an increase in creativity, innovation, and the quality of performance (Drach-Zahavy & Somech, 2001).

2.2.5 Diversity and Inclusivity

Overlooking diversity in skills up to diversity in values will bring us to an understanding where skills will relate to structural issues of what diversity can bring to the table. On the other hand, values relate to the friction points that emerge as a consequence (Raghuram & Garud, 1996). Diversity is a potential, a raw resource of company nor organizations. In the workplace itself, diversity cannot be utilized to its full potential without the presence of inclusiveness. Diversity brings different thoughts, ideas, perspectives, different people while the inclusion plays part to enhance it. Both diversity and inclusion may vary across cultures according to its perceptions of fairness (Roberson & Stevens, 2006).

There are some core components that determine the dynamic of inclusion in the workplace. The first two is to pertain a diverse representation and leadership accountability for inclusion and diversity that are counts as the markers of a systematic approach for both. The other three indicators are equality,

openness, and sense of belonging. (Dixon-Fyle et al., 2020). When employees are comfortable in their work environment and having that feeling as a part of the company itself, it will be easier for them to speak up, to generate ideas with others, and also increase employees' loyalties towards companies-organizations.

2.3 Innovative Work Behaviour

2.3.1 Definitions of Innovative Work Behaviour

Breaking down the term of innovative work behaviour, first we need to know what is innovation. The invention of something new or unique is known as innovation. New ideas, devices, or methods are introduced as a result of the act of innovating. Accordingly, the number of scholarly works dealing with innovation has increased tremendously over the last decade (Mumford, 2000). Innovation is an important means for achieving competitive advantage. Innovations is a never-ending case in business cycle, innovation in a corporate context is about transforming an idea into a new process, product or service to generate a competitive advantage. For that innovation to happen depends as much on collective difference as on aggregate ability (Ramasamy & Yeung, 2016). Therefore, innovation is needed in business. Moreover, because it acts as the engine to power company to keep them sustainable.

To talk about innovation, we will also associate with whom will act on it. Innovation in today's global and competitive businesses must capitalize on all talents of human capital (Okoro & Washington, 2012). This is no longer a new finding; innovation relies on people and how they

create a new pool of ideas. As such, creativity by individuals is a starting point of innovation (Amabile et al., 2013). Therefore, innovative work behaviour is the capabilities of individuals to generate innovation. Innovative work behaviour refers to an “Everyday Innovation” dependent on the employees’ intentional efforts to provide beneficially novel outcomes at work (Onne Janssen, 2000).

2.3.2 Impacts of Innovative Work Behaviour in the Workplace

Innovative work behaviour will remain imperative, especially in global era like now. Since its concept is aimed at generating and implementing innovative new ideas purposefully, which have significant importance for an organization, especially to improve the user experience, the development of product design, and procedural optimization (Samma et al., 2020). It is a never-ending process to keep innovating, adapting and adjusting business to meet the market and customer demand. Preferably, to create something that will solve a problem that might exist in future timeline. With the absence of innovative work behaviour, innovation in the workplace will be lacking, resulting in a setback for company.

As an example, the Blockbuster Entertainment Inc¹. This company are well-known for their rental in gaming and movie product. On the

¹ <https://www.forbes.com/sites/biancamillercole/2019/01/10/innovate-or-die-how-a-lack-of-innovation-can-cause-business-failure/?sh=7e2ee3e02fcb>

meantime, Blockbuster Entertainment Inc are being extremely comfortable running the business, leaving any improvement behind. Later, they went bankrupt in 2010 with almost \$1 million debt². This is one of many proofs why innovative work behaviour is important since it generates innovation in business.

2.4 Relation Between Diversity and Innovative Work Behaviour

After talking about both diversity and innovative work behaviour, we will now be talking about the effect one has upon another. Based on what already explained on previous section, we can conclude that diversity is everything that can be used to differentiate one from another. Meanwhile, accordingly to previous section, we can say that innovative work behaviour refers to the of employees in generating innovation in the workplace. In the workplace, diversity are needed and cannot be avoided nor denied. And like it or not, the absence and presence of each diversity dimensions will affect many work outcomes, in this case we are focusing more on how it affects innovative work behaviour.

As we already know, finding new and better solutions, innovating, requires thinking differently. Bringing many different perspectives to a problem generates more creative solutions (Ramasamy & Yeung, 2016). Since similar individuals could not generate more diverse outcome, innovation will also find difficulties to be empowered. Workplace diversity can ensure there is a large pool

² <https://www.businessinsider.com/the-rise-and-fall-of-blockbuster-video-streaming-2020-1?r=US&IR=T#:~:text=Blockbuster%20once%20owned%20over%209%2C000,DVD%2Dby%2Dmail%20service.>

of knowledge, skills, life experience, perspectives, and expertise. For that reason, diversity powers innovation (Ramasamy & Yeung, 2016).

2.5 Hypothesis Development

2.5.1 The effect visible dissimilarity (diversity on surface-level) has towards innovative work behaviour

Visible dissimilarities which in other words are the differences one has upon other which is visible under bare sight, eventually will affect the innovative work behaviour of an individual. The reason behind this statement is because most people act upon what they see by generalizing people based on their looks, using differences that is visible under plain eye-sight. We are familiar with this term that is called 'stereotyping'. As a real-life example, often people associate that Asians are good at math. Another example, people assume that women cannot do a job as good as men. With this behaviour, it creates a categorization where people tend to think about others and their abilities judging from their appearance. This affects how individuals work in their environment. Gender, race and ethnicity does not determine the ability people possess. Associate Professor of Psychology, Michael Inzlicht on the Journal of Personality and Social Psychology stated that past studies shown that people perform poorly in situations where they feel they are being stereotyped.

The sociological approach to stereotyping pertains only to social groups. It views stereotypes as fundamentally incorrect and derogatory generalizations of group traits, reflective of the stereotype's underlying

prejudices (Adorno, 1950). With this situation, it can be said that visible dissimilarities creating barriers between individuals to be able to interact with one another. Especially, it can result in decentralization of workforce. Research shows that social categorization (connected to social proximity or distance) and its creation of multiple subgroups have a negative impact on individuals' work performance (Pelled et al., 1999). Therefore, the first hypothesis of this research is:

H1: Visible dissimilarity (diversity on surface-level) negatively affects innovative work behaviour

2.5.2 The effect cognitive group diversity (diversity on deeper level) has towards innovative work behaviour

It is stated in previous sequence that cognitive group diversity is a type of diversity that will need further interaction to be unveiled. After some period of time, people in the workplace will interact with one another. Either it is because of similar job desk, or they met in the canteen on lunchtime and decided to talk with each other to break the silence between. Also, interaction can break tension between stranger in the workplace. With more interaction, consistently, deeper diversity would eventually rise to the surface. Since are able to analyse how others think and perceive things through conversations.

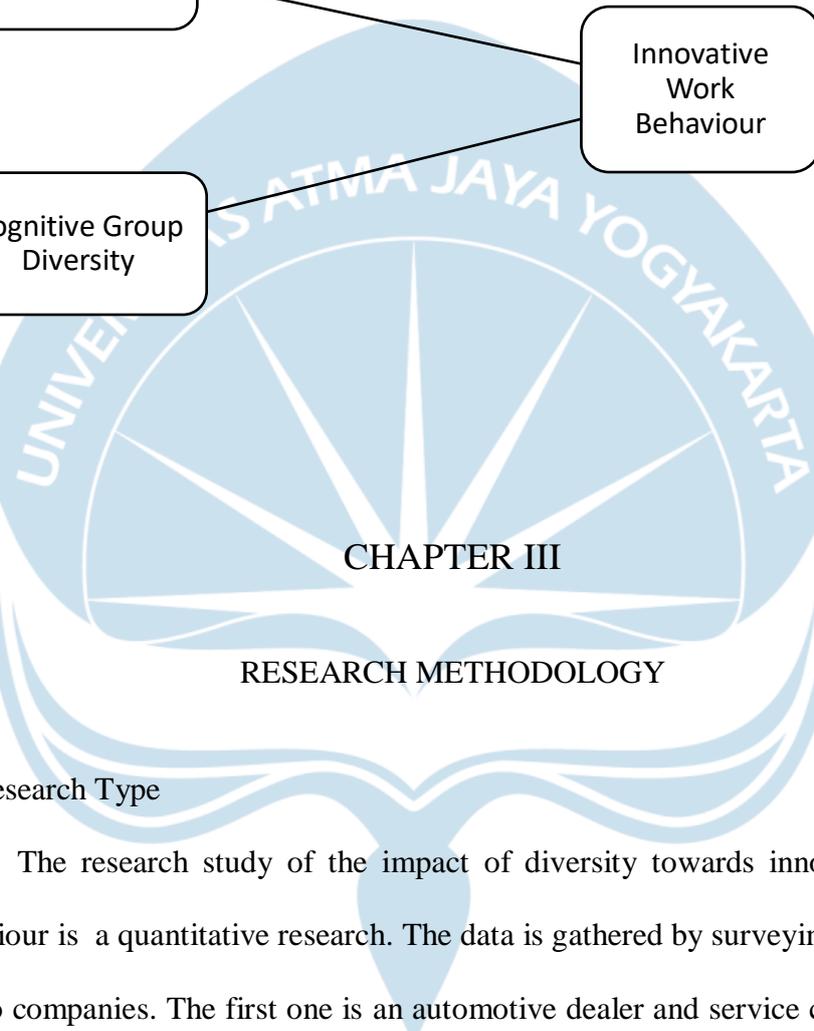
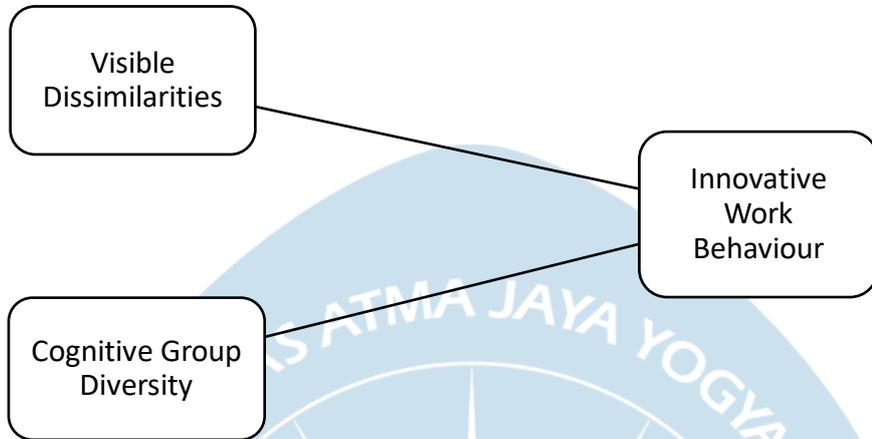
Thus, it is predicted that innovative/entrepreneurial climate will trigger awareness among individuals related to the common goal (i.e.,

innovation) (Chen et al., 2019), which in turn should reduce the effects of the social categorization process based on visible dissimilarity and cognitive group diversity and in turn trigger IWB (X. Chen et al., 2019). Differences in thinking usually help individuals in group to be able to generate more idea creations and creative solution makings. Although, there is a prediction where visible dissimilarity leads to cognitive group diversity as individuals will focus more on the social categorization process and creation of multiple subgroups than on relevant tasks and knowledge, information and opinion exchange with their diverse colleagues and that will have a negative impact on IWB (Bogilović et al., 2020). Therefore, the second hypothesis is:

H2: Cognitive group diversity (diversity on deeper level) positively affects innovative work behaviour

2.6 Research Framework

Figure 1



CHAPTER III

RESEARCH METHODOLOGY

3.1 Research Type

The research study of the impact of diversity towards innovative work behaviour is a quantitative research. The data is gathered by surveying employees in two companies. The first one is an automotive dealer and service company that has many distributors all across the globe and this one is based in Indonesia. TOYOTA NASMOCO in Solo is one of many NASMOCO sub-branches that distributed all over central Java. Focusing in dealing and servicing TOYOTA brand, NASMOCO Slamet Riyadi is taking initiative to be innovative in order to surpass other NASMOCO branches in Solo. The second company will be PT AAM DEXA Yogyakarta,