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Role of Leadership for Diversity Management and Organizational Performance: Moderation Model of Diversity and Functional Leadership Dimensions in Pakistan

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ABSTRACT

Purpose:

The most important aim of this study is to investigate the associations of diversity management practices (DMP) and organizational performance with the moderating role of functional leadership dimensions in Pakistan.

Methodology:

DMPs have been assessed employing EPDMP scale and functional leadership dimensions were measured with scale developed by Santos et al., 2015 on a sample of 499 employees from HEI in Pakistan. The data were collected from employees of higher education sector institutions. The PLS-SEM technique was applied for effective data analysis.

Findings:

Results of the study show that greater diversity does not necessarily generate inclusive environment-certain diversity inclusive functional leadership dimensions are essential to encourage diversity workplace environment where personnel think valued and respected. Results also confirm that diversity-inclusive functional leadership dimensions moderate the association between workforce diversity management and the organizational performance.

Conclusions:

The Study concluded that the diversity management has positive and the significant direct

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impact on the organizational performance. Therefore, leaders who creates plans, ideas and make policies especially those who carried out a business and governments institutions need to formulate such HR statutes, regulations, rules, policies, and practices that promote heterogeneous personnel in organizations and bid equal opportunities to all personnel unrestricted by their individual employee's characteristics such as race, gender, ethnicity, religion, etc,

Practical implications:
The results are very supportive for HR directors for the effective workforce diversity management to boost the organizational performance.

Originality/value:
The study describes the relationship of the diversity management and organizational performance with the moderating role of diversity inclusive functional leadership dimensions.

Keywords: *Workforce Diversity, Diversity Management, Functional leadership, Organizational Performance*

Introduction

Workforce diversity is the most challenging global strategic management issue in organizations (Sabharwal et al., 2018). Diversity is a extremely significant asset of the organizations in Pakistan. Organizational leaders have a great interest to manage the increasing diverse workforce in their organizations to improve the organizational performance. It is very important to develop effective diversity management practices in their respective organizations for successful diversity management in Pakistan. It needs more efforts to adopt international developed human resource diversity management practices to manage diverse workforce as compared to keeping the existing human resource rules and regulations intact. This emphasizes the importance of effective diversity management. Moreover, the relationship between diversity management practices and organizational performance is dependent relative on the various other factors including the role of leadership, etc. therefore, it is very crucial to investigate the factors that impact the association of diversity management practices and organizational performance in Pakistan. The organizations are becoming diverse which requires incorporation of workforce diversity management policies by HR managers. Businesses are confronting challenges in achieving a diverse personnel with respect to gender and ethnicity (The Biggest Challenges Companies Face in Making Diversity and Inclusion Successful, n.d.). That is why workforce diversity management has become a significant element for leadership to handle personnel diversity to boost organizational performance (Nguyen et al., 2022). The progression of gender and ethnologically diverse employees has accomplished successful management of diverse workforce as a business case for companies (Roberson et al., 2017). Therefore, organizations are changing the regulations, rules and policies to manage their diverse personnel to avoid resulting challenges of conflict and shortage of consistency of diverse personnel in their firms, etc. Thus, there is a significant scholarly consideration on how to competently manage the diverse personnel in their organizations and

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its potential effects on the organizational performance (Nguyen et al., 2022). This takes the lead to the increasing interest of academicians and professionals in identifying the manageable factors for the effective diversity management in Pakistan.

Diversity is the mixture of similarities and differences of member of staff dimensions, including age, gender, ethnicity, race, religion, socioeconomic background, culture, education level, occupation, and other physical characteristics within organizations (Choi & Rainey, 2010; Hoang et al., 2022). Workforce diversity management denotes to the firm's regulations, rules, policies, programs and practices to promote the diverse workforce at workplace and to bid equal opportunities to all workforces unobstructed by the employee identities such as age, gender, ethnicity, race, education, function, religion, etc. (Choi, 2009; Hoang et al., 2022; Pitts & Jarry, 2009; Sabharwal et al., 2018). There are unique views of the diversity management. The first point of view of the diversity management is conventional, which assumes affirmative actions and equal employment opportunities in recruitment and selection processes. The primary purpose of this form of the diversity management is to guarantee the enough representation of all employees including women. The 2nd stage of workforce diversity management concentrating on unique management styles regarding the diverse employee retention, collaborations, and performance. The 3rd and more broad approach include all elements of affirmative actions, equal employment opportunities, employee retention, collaborations, and performance. This approach contemplates all workforce diversity-related processes, systems, and programs under comprehensive workforce diversity management system (Pitts, 2009). Therefore, diversity management consist of all regulations, rules, policies and practices that act as performance accompaniment of organizations through enhanced recognition, acceptability, creation, innovation, thinking style and the behavior of employees. The employment setting and scenario is moving very fast in Pakistan due to the rising trend of women in service (Ahmed, 2020). Therefore, there is dire need to understand the impacts of diversity management on organizational performance to focus on this evolving area of HRM in Pakistan. Moreover, to satisfy them in all stages of economic cyclical pattern of contraction, expansion, and peak and through, the diversity management is an essential component of SHRM. The policies, rules and regulations including family friendly rules, training, mentoring and tutoring opportunities that add up to diversity management role differ among companies (Pitts, 2009). The organizations must formulate and execute diversity management practices, regulations, rules and policies to hire, keep and cultivate diverse personnel to enhance their organizational performance. There are two different philosophies of the diversity management i.e., Optimal Distinctive Theory (ODT) and Social Categorization Theory (SCT). As per SCT, people raise their societal identity through social classification process that encourages the demographically similar grouping and show up biasness in relation to other demographically different team members (Moon, 2018; Moon & Christensen, 2020). SCT encourages that person tends to keep a greater degree of self-esteem accomplished by means of social evaluations with other employees of the organizations (Williams, 1998). Grounded on these social evaluations, persons categorize & differentiate themselves from others into social

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categories conferring to their demographics' characteristics like gender, ethnicity, race, religion and demonstrate favoritism and backing concerning similar associates of their cluster but defamation, slander and degradation about other non-similar team members and consequently resulting in intergroup prejudice and skirmishes in organizations (Choi, 2009). The most important assumption of SCT is that the persons categorize based on the social information to each other. Age, ethnicity, religion and gender are the most important components of social categorization argument (Stolier & Freeman, 2016). The foremost assumption of the SCT is that the workforce diversity is detrimental to organizational performance owing to serious interpersonal conflicts occurring from the divergences amongst the diverse employees (Moon & Christensen, 2020).

Conversely, the diversity and inclusion are encouraged by ODT. According to ODT, all persons have opposite needs that stimulate instantaneously, i.e., uniqueness and belongingness tend to grow up perception of his/her inclusion (Oberfield, 2016) to the social group. Inclusion is an idea to which the employee believes that he/she is an important and honorable member of organization. Inclusion depends on keeping balance among shared distinction and identity from team members (Randel et al., 2018). The belongingness means a person's wish to establish and keep interpersonal relationships with other persons in a team. Uniqueness implies the wish of a person to be distinct with other related individuals. People ought to balance these two opponents require to feel the sense of the inclusion to accomplish ultimate degree of their social distinctiveness. Therefore, ODT intends that the leadership can manage their personnel having distinct characteristics by creating such a working environment in which each employee consider included (Shore et al., 2011).The foremost assumption of ODT is that diversity can be a human capital of distinct perspectives that boosts employees performance and decision making quality (Moon & Christensen, 2020). Further, ODT intended that diverse personnel outperform their similar colleagues. The important notions of the ODT is that diverse employees composition can offer a significant pool of job related resources, including skills, knowledge, abilities and unique insights that augment organizational performance (King et al., 2009).

Existing research on diversity management has mainly been concentrating on advanced countries like UK, USA, Australia, Netherland and European countries etc. (Yadav & Lenka, 2022) but has paid fewer attention in Pakistan to show that how ethnic and gender diversity associated differences are effectively managed to boost organizational performance. In this study, we examine the relationships of diversity management policies and organizational performance with the moderating role of functional leadership dimensions in Pakistan to show which dimension of functional leadership is effective in Pakistan. Managing workforce diversity enhances inclusive natural environment, leading to improve organizational performance. Leaders face constant pressure to make certain gender diversity in their organizations (The Biggest Challenges Companies Face in Making Diversity and Inclusion Successful, n.d.). Workforce diversity writing reveals less research regarding diversity

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management and functional leadership dimensions to enhance organizational performance in Pakistan. Hence, it requires research, about the role of the leadership, affecting diversity management that augment organizational performance. Study examines the effect of functional leadership dimensions as independent moderators amongst diversity management policies and the organizational performance. This study undertakes that diversity management HR practices with effective functional leadership dimensions play a very decisive role to augment organizational performance in Pakistan.

At present there is an enormous gap in Pakistani organizations regarding the ratio of male and female employees. There is also less empirical research with respect to the effective diversity management polices systems processes and structures of the effective diversity management to enhance organizational performance (Shen et al., 2009). Moreover, Otaye-Ebede (2018) recommended testing of the EPDMP scale done in other countries to establish more authoritative proof of the subject reliability and the validity by including the other dimensions of diversity of age, gender, religion, and ethnicity etc. The studies examining role of the leadership in connection with diversity management and the organizational performance are only limited to Dutch and US (Ashikali et al., 2020; Moon & Christensen, 2020); Since the leadership style and their different dimensions changes with the cultural change, it is essential to examine effect of the diversity management practices on the organizational performance in association with the various leadership dimensions in Pakistan. Hence, leaders can activate such perception of inclusion by connecting in two several dimensions and behaviors: inspiring all employees to fully convey their unique perspectives and viewpoints (Leroy et al., 202). Leadership has been contended to be crucial in nurturing inclusion at workplace (Ohunakin et al., 2019) but insights into which certain functional leadership dimensions are in fact cultivate inclusion is missing in literature (Leroy et al., 2021) especially in Pakistan. How various other dimensions of leadership impact diversity management thereby increase organizational performance need investigations (Ashikali et al., 2020). Hence, we on the basis above recommendations, we decide to carry out this study in Pakistan with the following's main objectives:
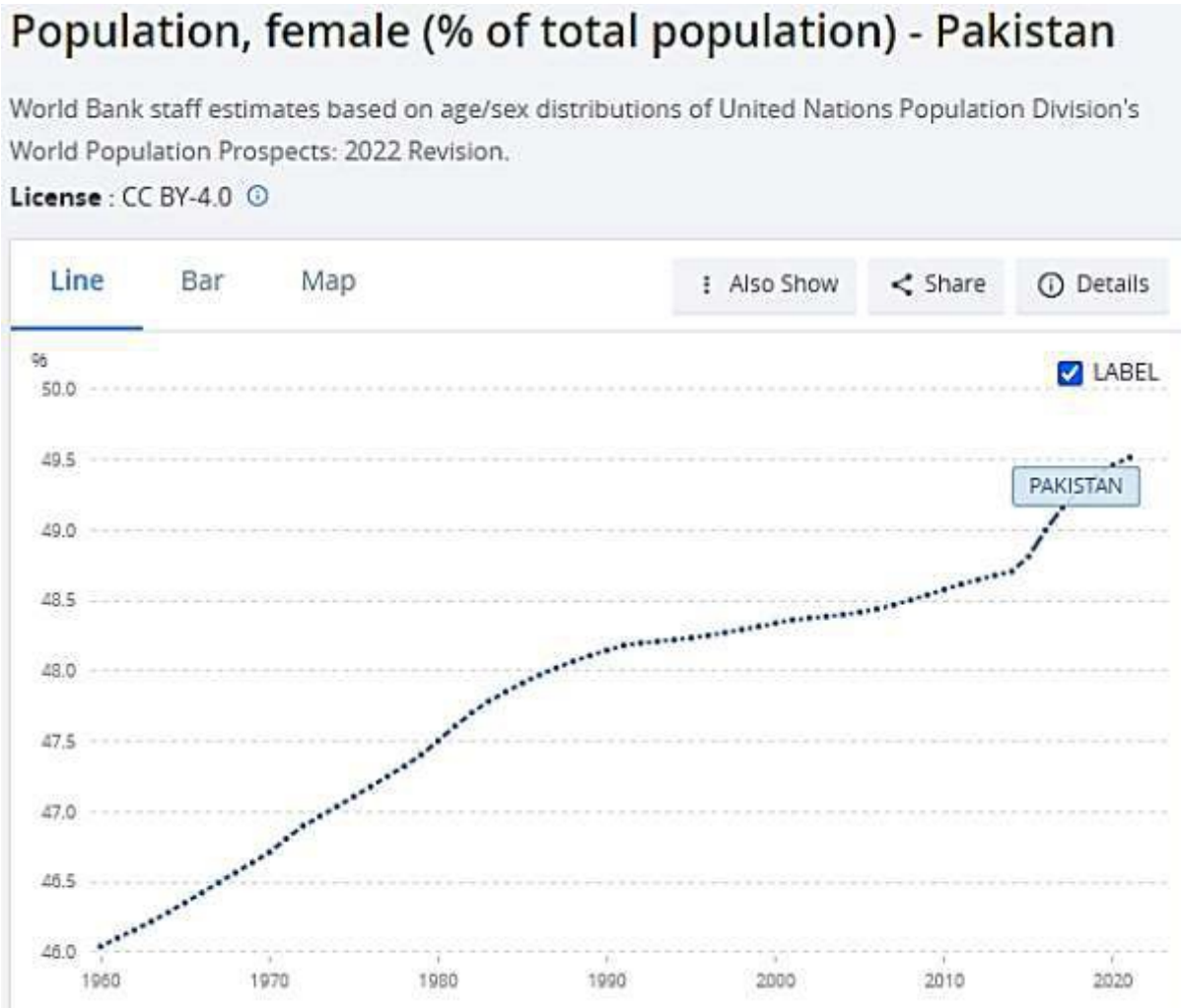
1. To study the effect of diversity management HR practices on organizational performance.
2. To investigate the moderating role of Situation clarification dimension of functional leadership with respect to the association of diversity management and organizational performance.
3. To investigate the moderating role of Strategy clarification dimension of functional leadership with respect to the association of diversity management and organizational performance.
4. To investigate the moderating role of Coordination leadership dimension of functional leadership with respect to the association of diversity management and organizational performance.

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Literature Review and Theoretical Contribution

Based on the Optimal Distinctive Theory and Social Category Theory and, this study is being conducted to examine the effect of workforce diversity management on organizational performance with the moderating role of functional leadership dimensions. After studying the related literature, this research used ODT and SCT by offering theoretical support to know the diversity management in Pakistan. Moreover, the ODT is massively employed in diversity management studies. These theories are concisely described in next part for the better knowledge of this research.

The diversity implies to any type of differences, including the demographic and other physical characteristics in which worker's classifications themselves and others into subcategories which has a foremost effect on teams' interactions and consequent outcomes in organizations (DiTomaso et al., 2007). Females' contribution and inclusion in services in has been on the rapid growth in Pakistan ever since the last decade, bringing the university alumni and personnel to a further diverse in universities and all profit and nonprofit organizations (Ahmed, 2020). Those firms which will accept the female's constituent of labor market will be able to get benefit of full potential of their personnel to increase their organizational performance. This way, their personnel base will be stronger and such organizations will be more competent to respond efficiently to meet the changing population needs (Pitts, 2009). Population of Pakistan is 229,488,994 comprising 106,791,000 females and 112,718,000 males (*Population, Female (% of Total Population) - Pakistan | Data*, 2019) (Figure1). Ratio of males to females 106 males to 100 females (106:100) is 1.06 (*Sex Ratio - The World Factbook*, n.d.)(Wazir & Goujon, 2019). It indicates that males and females are nearly equivalent in Pakistan with respect to their numbers. It is obvious from the above data that there is higher diversity in existing workforce and in potential workforce in Pakistan. Consequently, it requires to be managed appropriately as diversity is double edged blade in organizations, if not managed properly (Guillaume et al., 2017). Diversity is a wonderful source of a wide range of innovations, skills and ideas that can enhance the organizations' abilities to resolve organizational managerial issues and make better decisions (Jehn & Bezrukova, 2004). Therefore, workforce diversity is an important factor where organizations can manage their diverse employees effectively to enhance their organizational performance.

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Figure.1: Population of Pakistan

Source: (*Population, Female (% of Total Population) - Pakistan | Data*, 2019)

Social Identity Theory (SCT) and the Optimal Distinctive Theory (ODT)

Social identity theory concentrated mainly on intergroup associations. This theory is a theory of collaborations and conflicts among groups, and it features how team of people see and act with respect to each other for opportunities accessible to a group and its members to promote and protect their constructive uniqueness (Hogg et al., 2017). As per this theory, employees inclination to classify themselves in groups in their organizations and others into various social categories, such as gender, religion, age, ethnicity etc. (Ashforth & Mael, 2016). Optimal distinctive theory and social identity theory show the degree to which diverse personnel experience openness and valuing of differences of personnel in their organizations. Social category theory explains the correlation among personal identities and social constructs that people assign to their association of particular identity groups (MOR Barak Et Al., 2016). It

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suggests that individuals have an inherent ambition to fit in to the groups that instigate a distinctive and constructive identity and resultantly excludes individuals who are different from them owing to such features (Hogg et al., 2017). Hence, SCT predicts harmful interactions amongst the personnel demographic diversity and the organizational performance that can be improved with the efficient role of the leadership and HT diversity management policies and practices of the organizations. SCT advocates that persons are likely to keep a high ranking level of the self-esteem accomplished through the social comparisons with the other members of the team (Williams, 1998). On the basis of the these social comparisons, persons classify and distinguish the others and themselves into social categories according to their own demographic attributes of religion, gender, ethnicity, race and show discrimination and support towards the similar members of their teams but the defamation and the degradation towards the other non-similar team members and consequently in the intergroup bias and the conflicts in their organizations (Choi, 2009). As per SCT, negative consequence of diversity starts when personnel are divided in the groups on the basis of their religion, cast, gender, ethnicity, etc. and starts the favoring appropriately and unduly to similar team members and the disfavoring other dissimilar personnel which eventually results in the intergroup disliking, distrust, bias, conflicts and the limited interactions and impacts the overall organizational performance.

According to ODT, people instantaneously pursue resemblances with other people while considering the need for uniqueness. According to this theory the person thinks the need to remain faithful to their unique identities whilst also thinking regarded as a respected associate of the group at the same point in time. Inclusion depends on keeping the balance among a mutual identity and distinction from the team members (Randel et al., 2018). Social identities results from the numerous factors together with ethnicity, gender, and religion. Ethnic and the cultural diversity refers to individuals that are from the socially distinct groups in population. Their uniqueness is either linked with apparent natural, physical and aesthetic attributes or with less apparent customs, values and beliefs therefore ethnic, gender and cultural diversity is more than significant than less obvious differences (Mayo et al., 2016). As per this theory, people raise their social identity by applying social classification processes that advocate demographically similar team members and show biasness, prejudice against other demographically different team members (Moon, 2018; Moon & Christensen, 2020).

Diversity Management Practices

The diversity management literature shows that ODT proposes that organizations can manage their personnel having distinct characteristics by creating such a working environment where the all employees feel included (Shore et al., 2011). It is very critical to cultivate effective diversity management, rules, regulations, policies and practices in Pakistan. It requires more efforts to implement the internationally developed HR diversity management policies and practices to manage their diverse personnel as compared to just keeping existing HR rules,

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regulations, and policies intact. This highlights the importance of effective diversity management in Pakistan. A number of research reviews have investigated the effect of diversity on groups and the organizational performance and showed that the relationship among diversity and its conclusions is very complex, mixed and equivocal (Guillaume et al., 2017). One of the reasons of equivocal and mixed findings narrated by the diversity management researchers is the absence of dependable and valid scale to measure the diversity management construct (Carstens & De Kock, 2017). Although there are several measures of diversity management, but lacks accurate scale development processes regarding the reliability and validity of the constructs (Richard et al., 2013). Only one scale prepared by Carstens and De Kock (2017) to measure the perception of effective diversity management competencies has gone through proper scale development process and procedure which considered necessary for measurement factors. Moreover, if the organizations have to create a fairer and inclusive environment, they must have to assess how their diverse personnel perceive their diversity management policies in their respective organizations. Present research on diversity management concentrate on the organizations, instead of the employee-centered research which is major limitation also in previous research (Godard & Delaney, 2000). Although perceptions of personnel of reality are likely to impact their performance beyond factual policies and practices of organizations. Consequently, Lilian Otaye-Ebede (2018) created a valid and dependable measure of diversity management from perspective of personnel which was adopted for this study.

Therefore, ODT suggests that the leadership of the organizations can manage their personnel having distinct characteristics by creating such work environment where they are feeling included. To understand how the social category and optimal distinctiveness theory influence team members' attitudes, mindsets, feelings, and behaviors, it is thus essential to investigate how leadership effects these processes and procedures to boost organizational performance. On basis of the above explanations and the theoretical perspectives, this study addresses the major question of how workforce diversity management and functional leadership impact organizational performance. Therefore, this research hypothesized based on ODT theory and its assumptions. Moreover, the conceptual model of this study provides theoretical basis for investigating the moderation model of diversity management and functional leadership dimensions in Pakistan. Hence, we hypothesize that:

H1: *Diversity management practices positively associates with organizational performance.*

Moderation Impact of Functional Leadership Dimensions

Leadership has been argued to be a very critical factor in boosting diversity and inclusion (Randel et al., 2018). As per Guillaume et al. (2017), leadership has been examined to be the important circumstantial and contextual variable to strengthen our knowledge of workforce diversity (Joshi & Roh, 2009) but no major studies exist which examined leadership dimensions as a moderators in Pakistan. Most of such findings examined work team diversity

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affects and a few of them looked at relational workforce demographic and the organizational outcomes. The task of leadership for diversity management has been growing (Guillaume et al., 2017; Paluch & Nishii, 2017). Moreover, it is common acceptance that differences essentially embrace advantages and openings for employees due to diversity of viewpoints, experiences and perceptions which augments resources for adaptive change to work with the differences, describe and the learn from diverse viewpoints and integrate the different inputs (Mayo et al., 2016; Nishii, 2013). Literature has also revealed that value in diversity beliefs produce more inspiring perceptions and comebacks to distinctions amongst team members (van Knippenberg et al., 2013) and consequently, team members observe and value differences among them (Nishii, 2013). Likewise, more meaningful exchanges amongst the personnel occurs and the consideration of diverse feedback is enhanced (Biemann & Kearney, 2010). However, the understandings into which kind of leader dimensions in fact promote more diversity are deficient in diversity literature. This research advances the preceding theory on inclusiveness and functional leadership dimensions. functional leadership dimensions are the key constructs to understand three different functional leadership behaviors i) Situation clarification ii) Strategy clarification iii) Coordination. Functional leadership maintains that efficient leadership is a function of the interactions amongst leader and the situations in which leader functions, therefore, leaders ought to functionally adjust their behaviors to the requirements of diverse workforce (Homan et al., 2020).

A large number of research scholars (Ayoko & Konrad, 2012; de Poel et al., 2014; Greer et al., 2012; Homan & Greer, 2013; Kearney & Gebert, 2009; Kim, 2017; Klein et al., 2011; Kunze & Bruch, 2010; Mitchell et al., 2015; Mohammed & Nadkarni, 2011; Mo et al., 2019; Muchiri & Ayoko, 2013; Nishii & Mayer, 2009; Reuveni & Vashdi, 2015; Rosenauer et al., 2016; Rowold, 2011; Shin & Zhou, 2007;Somech, 2006; Stewart & Johnson, 2009; Wang et al., 2013; & Wang et al., 2016) investigated the leadership styles and dimensions with respect to workforce diversity. The following are the key leadership styles with respect to the diversity and diversity management in the organizations:

1. Ethical Leadership Style (Mo et al., 2019)
2. Inclusive Leadership Style (Mitchell et al., 2015)
3. Leader Cultural Intelligence Style (Rosenauer et al., 2016)
4. Leader Emotion Management Style (Ayoko & Konrad, 2012)
5. Leader Member Exchange (LMX) Style (Nishii & Mayer, 2009; Stewart & Johnson, 2009)
6. Participative and Directive Leadership Style (Somech, 2006)
7. Person Focused Leadership Style (Klein et al., 2011)
8. Task Focused Leadership Style (Homan & Greer, 2013)
9. Temporal Leadership Style (Mohammed & Nadkarni, 2011)
10. Transformational Leadership (Kearney et al., 2009)
11. Visionary Leadership Style (Greer et al., 2012)

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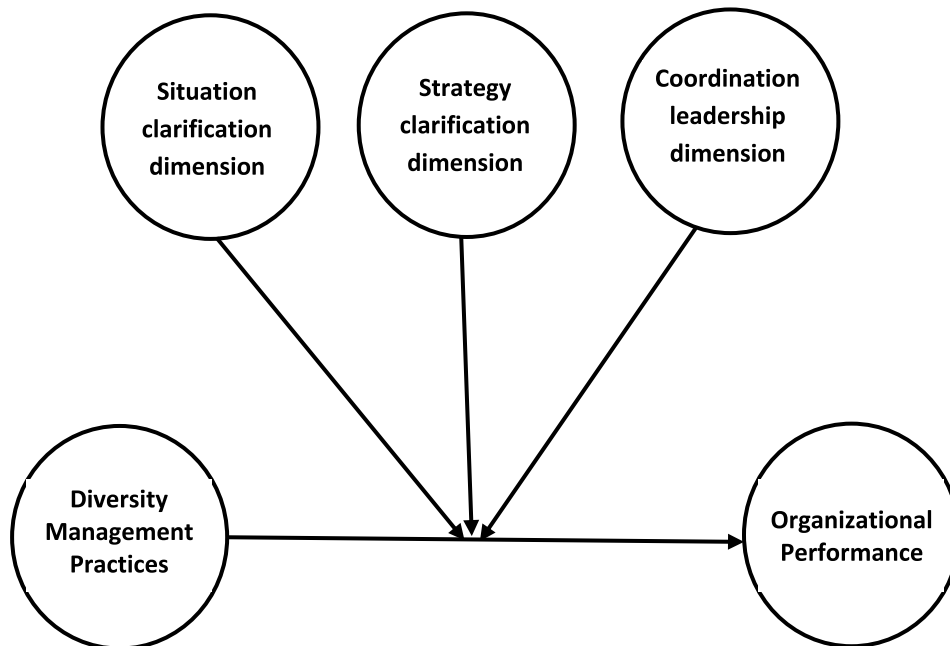Dimensions in Pakistan

There is no concrete evidence on which one can say that this kind of leadership style effectively addresses the main diversity management processes. The functional leadership theory states that the effective and efficient leadership is the function of the connections among the leaders and the conditions under which the leadership operates in the organizations (Osborn et al., 2002). As per functional leadership theory. The leaders need to assign their time and energy in such a manner that expands the prospects of improving the performance of their workforce by effectively complementing their leadership styles to the existing and future requirements of the workforce (Burke et al., 2006; Osborn et al., 2002). The leaders match their leadership styles with the existing and prevailing situations to minimize the ineffective systems and processes by maximizing the effective processes to enhance the performance. Thus, leaders need to adopt such leadership styles that are useful in certain situations and avoid using those leadership styles which are not useful in the specific situations on the basis of person focused leadership dimension or task focused leadership dimensions. This research focuses on the moderating role of functional leadership dimensions i.e., Strategy clarification, Coordination leadership and Situation clarification on the association of diversity management practices and organizational performance. Study examines the effect of functional leadership dimensions as independent moderators on the association of diversity management practices and the organizational performance in Pakistan. Therefore, this research propose that leaders encourage diversity inclusion by associating in to three relevant, however, theoretically distinct leadership dimensions i.e., Situation clarification dimension, Coordination leadership dimension and Strategy clarification dimension. Leaders can harvest benefits of the workforce diversity by encouraging all team members to completely contribute to group processes. This way leaders motivate and stimulate the combination of the functional leadership dimensions with combination of group members with distinct thoughts, strengths, and viewpoints (Carmeli et al., 2010). As the SCT predicts negative relationships among the workforce diversity and organizational performance, that can be enhanced through moderating role of the leadership. Hence, leaders can activate such sense of the inclusion by stimulating all colleagues to fully articulate their unique perspectives and enabling beliefs about value of differences (Leroy et al., 2021). How these three dimensions of functional leadership independently moderates the relationship of the diversity management practices and organizational performance is foremost focus of this research as the leaders are the vital actors (Qu et al., 2015) for formative the workplace environment and the motivating the diverse personnel to do more creative contributions to boost organizational performance. The leaders clearly elicit members 'distinctive personal characteristics and experiences that determine their full self. This distinction is also particularly important in perspective of diversity management by pleasing everyone's talents, characteristics and voice across multiple lines of the difference as leadership set the stage for the diverse employees' perception of being an insider and valuable member of team (Shore et al., 2011). Research on leading the diversity has acknowledged that when different uniqueness categories are substantial, leaders should create the possible social basis for the diverse personnel to benefit from their different ideas and experiences (Homan et al., 2020). Functional leaders embrace his/her leadership style according to the given circumstance

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and situations therefore it can thus be assumed that these leaderships dimensions would positively accelerate diversity management in the positive directions affecting the organizational performance boosted. This study will investigate role of functional leadership dimensions for implementation and application of the diversity management practices in Pakistan as there are very inadequate studies which examined the impact of functional leadership dimensions (Buttner et al., 2009). Therefore, we suggest that positive influence of the diversity management practices on organizational performance is conditional on the functional leadership dimensions of Situation clarification dimension, Coordination leadership dimension and Strategy clarification dimension. Hence, we decided to hypothesize that:

H2: Situation clarification dimension of Functional leadership positively moderates the association of diversity management practices and organizational performance.

H3: Strategy clarification leadership dimension of Functional leadership positively moderates the association of diversity management practices and organizational performance.

H4: Coordination leadership dimension of Functional leadership positively moderates the association of diversity management practices and organizational performance.

Present study proposes a following conceptual model to examine the effect of diversity management practices on the organizational performance with the moderation of functional leadership dimensions of strategy clarification, situation clarification, and coordination leadership dimensions as independent moderators in the higher education in Pakistan.

Figure.2.: Conceptual Model of the Study

Source: Authors' owns development

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Methodology

Research Design

Research philosophy for the study is the positivism because positivist scientist rigorously focusses empiricist techniques to generate precise data, facts, knowledge and figures without any form of the impact of human biases and understandings (Saunders et al., 2007). Research approach for study is deductive as it analyses hypotheses. Research methods for this research are quantitative. Furthermore, this research is the cross sectional that employed the purposive sampling. Probability sampling method could not be utilized in this research because the higher education institutions did not give out complete list of their personnel due to some legal issues. Therefore, the non-probability method of convenience sampling is employed with necessary precautionary measures. Moreover, population frame is individual employees of higher education institutions of Pakistan, sample size is 501 individual personnel, and the data collection tool is the structured questionnaires.

Survey Design

This research used the questionnaires for the data collection. Further, this process is very widely used to know the individual behaviors in the social sciences (Jamal et al., 2022). Moreover, our conceptual model consists of various societal variables that are very difficult to assess with the other methods, for example case studies and experiments.

Sampling and Data Collection

Consequently, the data were collected, through with survey questionnaires from employees of the universities of Pakistan including. According to Kim and Qu (2020), questionnaire items of the research are more suited to our respondents. Generally, for nonprobability sampling, large sample size is needed. As proposed by Hair et al. (2013), bigger sample size is very much better, therefore, to achieve the larger sample, this research embraced the procedure as proposed by Krejcie and Morgan (1970), which utilizes 3.5% of the error to ascertain the upper limit of sample size. Thus, sample size for this current study was decided to be 501 for accomplishing the significant outcomes. Since the respondents of this study were employees of higher education institutions, the researchers decided to develop the online Google form as a best possible solution for collecting the data more efficiently. Therefore, for the collection of the data for this study, questionnaires were converted into the Google form to save the postal cost, reduce the delivery time, increase the accuracy and reliability. The link of questionnaire was circulated to employees of higher education institutions including Directors, Deans, Vice

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Chancellors, Registrars, Chairpersons, Controller of Examinations, the Treasurers, Faculty members and other staff of higher education institutions in Pakistan, through WhatsApp messages and emails with follow-ups through colleagues and friends. Responses to questionnaires in google form were mandatory except name of respondents due to issues of confidentiality. Therefore, chances of empty incomplete questionnaires and the missing values reduced to almost. The link of questionnaire was circulated via email/WhatsApp to 800 respondents. 520 filled questionnaires were obtained. However, 19 questionnaires were excluded as they look inappropriately filled with non-serious attitude. The required sample of 501 responses were satisfactory which took almost one and half year for data collection. There were 501 filled questionnaires, and all the responses were valid for the data analysis. As response rate is greater than 50%, thus, it is considered to be sufficient for the study (Bell & Bryman, 2019). See Table 1.

Table.1. Validity of Instrument

Construct	Items	Source	Reliability
Diversity Management Practices Questionnaire	10	(Otaye-Ebede, 2018)	Factor Loading >.60 Cronbach alpha .93
Functional Leadership Dimensions Questionnaire	10	(Santos et al., 2015)	Factor Loading >.60 Cronbach alpha .89
Organizational Performance Questionnaire	09	(Kundu et al., 2019)	Factor Loading >.60 Cronbach Alpha .89

Source: Authors' own development

Sample Description

It reveals that out of 501 respondents, 25% were from private sector and 74% were from public sector. Further, 49% from management side and 50% from the faculty. With respect to the gender diversity, 75% were men and 24% were women. Regarding ethnic diversity, Baluchi was 4%, Pashtun were13%, Punjabi were 72%, Sindhi were 6%, Kashmiris were 3% and Others were 1%. Age of respondents was from 19 to 60 years and the mean age was 34 years and St. Deviation was 10 years). Experience from 18 to 60 and mean number of the years was 8. It reveals that current study sample is the well spread and represent all demographic classifications and thus true representative of all the demographics categories in Pakistan. Regarding the level of education PhD were 32%, MS/MPhil were 34%, BS/Master were 30% and BA were 4%.

Data Analysis

PLS-SEM-Partial least square structural equation modelling was utilized through with Smart PLS 3.0 to recognize structural model and the measurement model of the study. The key reason that Smart PLS 3.0 is selected is that analysis of Smart PLS is deemed best statistical procedures for structural equation modelling, which can evaluate both structural model and

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measurement model simultaneously (Hair et al, 2013). Smart-PLS is considerably better to assess the complicated models. This research supported Smart-PLS owing to its model reliability, verifiability and validity (Jamal et al., 2022).

Common Method Bias (CMB)

CMB take place when instrument creates bias and the bias in data collection due for overlapping amongst the constructs (Jamal et al., 2022). We utilized VIFs (collinearity variances inflation factors) process to investigate VIFs. The data have CMB issues if values of the VIFs are greater than 3.3 (Kock, 2015) and the results of the study showed no issue of CMB.

Measurement Model

Convergent validity, factor loading and discriminant validity of indicators of construct were accomplished in the measurement model with the help of SmartPLS 3.0. Average variance extracted (AVE), composite reliability (CR), Cronbach's alpha, are used to ascertain convergent validity (Jamal et al., 2022). Convergent validity determines similarity in the theoretical concepts.

Table.2. CR, AVE and Cronbach's Alpha

.	Cronbach's Alpha	rho_A	CR	AVE
Diversity management practices	0.9176	0.919	0.932	0.6045
Situation clarification dimension	0.9113	0.9127	0.9377	0.79
Strategy clarification dimension	0.9101	0.911	0.9329	0.7357
Coordination leadership dimension	0.8816	0.8817	0.9269	0.8087
Organizational Performance	0.9324	0.934	0.9428	0.623

Source: Authors own development

Table 2 indicates the Cronbach's alpha of constructs was 0.9176 and 0.9324, AVEs of constructs were 0.6045 and 0.623 and corresponding CR values were 0.932 and 0.9428, respectively. Situation clarification Cronbach's alpha of constructs was 0.9113 and 0.9324, AVEs of constructs were 0.79 and 0.623 and corresponding CR values were 0.9329 and 0.9428, respectively. Strategy clarification Cronbach's alpha of constructs was 0.9101 and 0.9324, AVEs of constructs were 0.7357 and 0.623 and corresponding CR values were 0.932 and 0.9428, respectively. Coordination leadership alpha of constructs was 0.8816 and 0.9324, AVEs of constructs were 0.8087 and 0.623 and corresponding CR values were 0.8087 and 0.9428, respectively. AVE ≥ 0.50 (Hair et al., 2019), CR > 0.70, (Hair et al., 2019) and

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Cronbach's alpha > 0.70, Ramayah (2011). Therefore, it fulfills criteria of reliability, Cronbach's alpha and convergent validity of instruments of study.

Table.3. Measurement Model

Constructs	Indicators	Factor Loading
Diversity Management practices (DMP)	DMP1	0.7389
	DMP2	0.7062
	DMP3	0.7844
	DMP4	0.7994
	DMP5	0.854
	DMP6	0.7957
	DMP7	0.786
	DMP8	0.7268
	DMP9	0.7955
Functional Leadership Dimensions		
Situation clarification dimension	SCL1	0.8911
	SCL 2	0.9133
	SCL 3	0.8815
	SCL 4	0.8686
Strategy clarification dimension	StCL1	0.8559
	StCL 2	0.8343
	StCL 3	0.8864
	StCL 4	0.8591
	StCL 5	0.8522
Coordination leadership dimension	CL1	0.884
	CL2	0.9047
	CL3	0.909
Organizational Performance (OP)	OP1	0.8146
	OP2	0.7916
	OP3	0.7756
	OP4	0.752
	OP5	0.7214
	OP6	0.8143
	OP7	0.8277
	OP8	0.7438
	OP9	0.7967
	OP10	0.8464

Source: Authors own development

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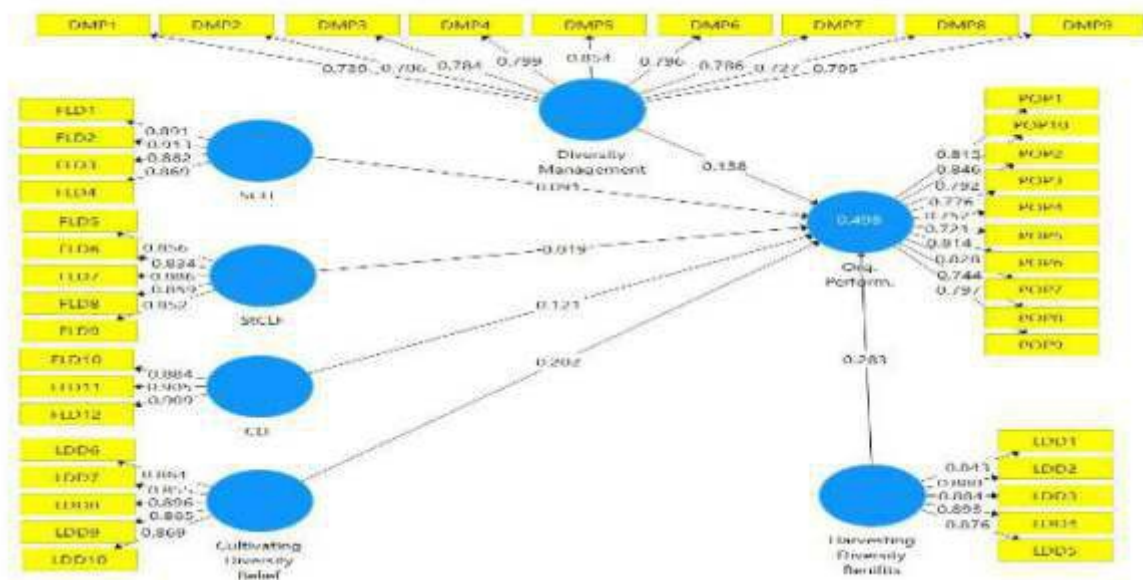Dimensions in Pakistan

Figure.3. Measurement Model drawn from SmartPLS Version 3
Source: Authors own development

Table.4. Fornell Larcker criteria

	Coordination leadership	Diversity management practices	Organizational Performance	Situation clarification	Strategy clarification
Coordination leadership	0.8993				
Diversity management practices	0.6362	0.7775			
Organizational Performance	0.6041	0.5041	0.7893		
Situation clarification	0.5929	0.5632	0.5416	0.8888	
Strategy clarification	0.7212	0.5624	0.5839	0.8096	0.8577

Source: Authors own development

Discriminant validity is basically employed for the detection of constructs that does not correlate with each other. Discriminant validity can be assessed by Fornell Larcker criteria which is extensively recommended by scholars to determine validity of the latent variables (Benitez et al., 2020). In this standard, AVE are matched with correlation of the squared inter construct in structural models. The common variance of all the constructs of model would not be greater than their AVEs (Hair et al., 2019). Table 4 denotes the scores of Fornell-Larcker criteria to determine discriminant validity. It showed that diagonal values of square root of AVE are greater than other values in their appropriate rows. It displays that square root of AVE,

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Coordination leadership was 0.899 diversity management practices were 0.7775, Organizational Performance was 0.7893, Situation clarification dimension (SCL) was 0.8888 and Strategy clarification dimension (StCL) was 0.8577. Consequently, it shows that with respect to measurement model, there are no issues of discriminant validity in measurement model of the study.

Table.5. HTMT

	Coordination leadership	Diversity management practices	Organizational Performance	Situation clarification	Strategy clarification
Coordination leadership					
Diversity management practices	0.7072				
Organizational Performance	0.665	0.5417			
Situation clarification	0.662	0.615	0.584		
Strategy clarification	0.8045	0.6155	0.6309	0.8911	

Heterotrait-Monotrait (HTMT) is a mean value of construct items correlations within constructs connected to the geometric mean of average correlations for constructs items measuring same construct. When HTMT values are greater than discriminant validity problem will be present. Threshold value for conceptually similar constructs HTMT < 0.90 and for the conceptually different constructs HTMT < 0.85 is recommended (Hair et al., 2019). Further, bootstrapping might be applied to test whether HTMT value is significantly different from 1.00 or lower i.e., 0.85 or 0.90 (Henseler et al., 2015) that requires to be described based on study context (Franke & Sarstedt, 2019). Though, the researchers can investigate if upper bound of 0.95 confidence interval of the HTMT is smaller than 0.90 or 0.85. Table 5 indicates that HTMT values < 0.90. Therefore, table 5 shows that there are no issues of discriminant validity in the measurement model of this study.

Structural Model

After proof that data have no issues of the convergent and the discernment validity, we investigated the hypotheses. Table 6 shows the results of the structural model from SmartPLS. Result shows that diversity management practices (β 0.1377, p < 0.000) is positively associated with organizational performance. Result also indicates that SCL (β 0.0905, p < 0.000) and StCL (β -0.0187, p > 0.000) and CL (β 0.1209, p < 0.000) significantly the moderate the relationship

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of diversity management practices and organizational performance. Therefore, H1, H2 and H4 are accepted and H3 is rejected.

Table.6. Beta Overall

	Original Sample	Sample Mean	Standard Deviation	T Values	P Values
Diversity management practices -> Organizational Performance	0.1377	0.1433	0.0524	2.6287	0.0043
Situation clarification dimension-> Organizational Performance	0.0905	0.0893	0.0651	1.3908	0.0822
Strategy clarification dimension -> Organizational Performance	-0.0187	-0.014	0.0783	0.2391	0.4055
Coordination leadership dimension -> Organizational Performance	0.1209	0.1168	0.0671	1.8015	0.0358

Source: Authors own development

Figure.4. Structural Model drawn from SmartPLS Version 3
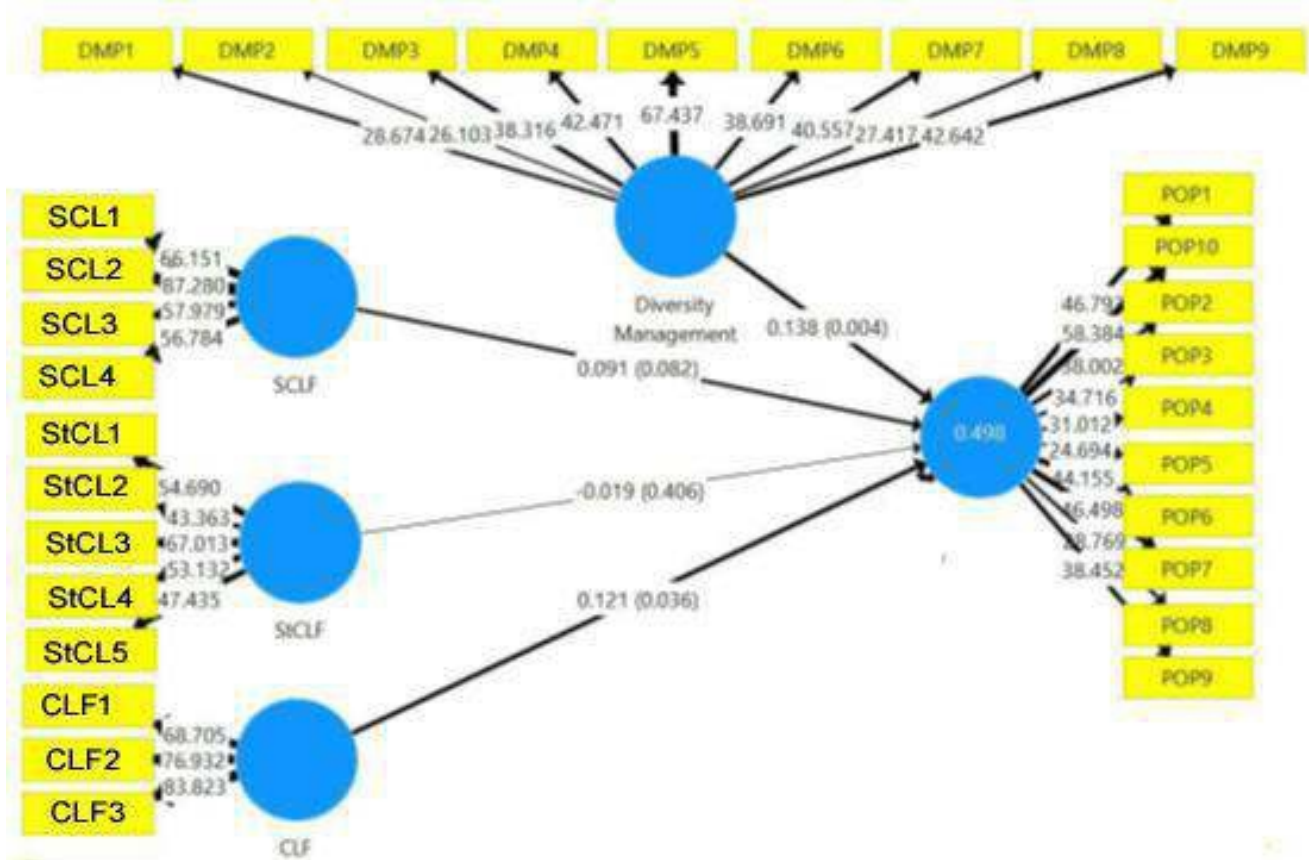
Source: Authors own development

Discussion

Research objective 1 for the study was to examine the association of diversity management HR practices and its impacts on organizational performance. Results shows that (β 0.2025, p < 0.000, t-value is 5.1395) and satisfies all criteria of path analysis. Therefore, H1 for the study

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has been accepted and this study acknowledged significant and positive association among diversity management and the organizational performance. Moreover, the results of this study can direct human resource directors in assessing and developing diversity management in their organizations, thereby, boosting the organizational performance. This study strengthens the findings of the previous studies (Hanif et al., 2022; Nguyen et al., 2022; Otaye-Ebede, 2018). Accordingly, results of our research are completely consistent with the previous studies. Moreover, results of the study are also in coherent with the previous research studies which revealed that the diversity management has demonstrated the optimistic relationships with the organizational performance (Ashikali & Groeneveld, 2015; Groeneveld & Verbeek, 2012) thus challenging CEOs, directors, the administrators to manage the diverse personnel in their respective organizations effectively. Furthermore, the findings of the study also enlightened that relationship of diversity management and organizational is positive and significant in higher education institutions in Pakistan. This shows that the diversity management is very important for the organizational performance in Pakistan. The association of diversity management policies and organizational performance is described by information decision theory (ODT) and optimal distinctive theory for diversity management. Therefore, leadership need to devise diversity management policies to improve the organizational performance. Moreover, diversity is a very crucial factor especially in the higher education institutions in Pakistan, where there are more diverse undergraduates and faculty with respect to race, ethnicity, gender, religion, etc. Further this research results add a new direction for further research in this area of human resource management. The conclusions recommends that the diversity management practices may possibly have different effects in other sectors like manufacturing, IT sector, Hotel industry, etc, with different working circumstances in Pakistan. Research objective 2 for the study was to investigate the moderating role of Situation clarification dimension of functional leadership with respect to the association of diversity management and organizational performance. Results shows (β 0.0905, p < 0.000) and T-value 2.6287 thus satisfies all criteria of the path analysis. Therefore, H2 for the study has been accepted and it recognized the significant moderation effect and endorsed that Situation clarification dimension of functional leadership positively moderates the relationship amongst the diversity management practices and the organizational performance. Our research strengthens the findings of the previous studies stimulating inclusion which leaders require to evidently encourage shared values and differences amongst the personnel through Situation clarification dimension of functional leadership (Leroy et al., 2021; Van Dick et al., 2008). Moreover, the results of the study are also incompatible with previous studies which stated the leaders require to strongly position workforce diversity as the positive side of group and nurture opinions therein that such personal distinctions are valuable assets for organizations (Greer et al., 2012; Van Knippenberg et al., 2004). Moreover, results are also inconsistent of studies of (MOR Barak Et Al., 2022; Nishii, 2013) who argued that the leadership is not only confined to leaders but can be institutionalized also in organization to create the overall environment of inclusion in their respective organizations.

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Hence, as per the results above stated, it is established that leaders encourage the diverse personnel inclusion, promote shared values, and nurture diversity faiths to augment organizational performance in Pakistan. It shows that Situation clarification dimension of functional leadership is very important consideration for the diversity management and the organizational performance. It is so very vital for leadership in Pakistan to implement this Situation clarification dimension to enhance organizational performance. Thus, leader's inclusiveness and conceptualization of situation clarification dimension of functional leadership is very critical to enhance the organizational performance.

Research objective 3 for the study was to investigate the moderating role of Strategy clarification dimension of functional leadership with respect to the association of diversity management and organizational performance. Results shows (β -0.0187, $p < 0.000$) and T-value 0.2391thus satisfies all criteria of the path analysis. Therefore, H3 for the study has been rejected and it recognized there is no significant moderation effect and did not endorse that Strategy clarification dimension of functional leadership moderates the relationship amongst the diversity management practices and the organizational performance. It may be significant in other sectors therefore need further research.

Research objective 4 for the study was to investigate the moderating role of Coordination leadership dimension of functional leadership with respect to the association of diversity management and organizational performance. Results shows (β 0.1209, $p < 0.000$) and T-value 0.0358 thus satisfies all criteria of the path analysis. Therefore, H2 for the study has been accepted and it recognized the significant moderation effect and endorsed that Coordination leadership dimension of functional leadership positively moderates the relationship amongst the diversity management practices and the organizational performance. Our research strengthens the findings of the previous studies stimulating inclusion which leaders require to evidently encourage shared values and differences amongst the personnel through Strategy clarification dimension of functional leadership (Leroy et al., 2021; Van Dick et al., 2008). Moreover, the results of the study are also incompatible with previous studies which stated the leaders require to strongly position workforce diversity as the positive side of group and nurture opinions therein that such personal distinctions are valuable assets for organizations (Greer et al., 2012; Van Knippenberg et al., 2004). Moreover, results are also inconsistent of studies of (MOR Barak Et Al., 2022; Nishii, 2013) who argued that the leadership is not only confined to leaders but can be institutionalized also in organization to create the overall environment of inclusion in their respective organizations. Hence, as per the results above stated, it is established that leaders encourage the diverse personnel inclusion, promote shared values, and nurture diversity faiths to augment organizational performance in Pakistan. It shows that Coordination leadership dimension of functional leadership is very important consideration for the diversity management and the organizational performance. It is so very vital for leadership in Pakistan to implement this Coordination leadership dimension to enhance organizational performance. Thus, leader's inclusiveness and the conceptualization of situation clarification

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dimension is very critical to enhance the organizational performance. This indicates that the above dimensions of functional leadership are very important factor for the diversity management and the organizational performance. It is therefore extremely important for the leadership in Pakistan to implement these dimensions to enhance their organizational performance. Therefore, H1, H2 and H4 are accepted and H3 rejected.

Theoretical Contributions

By studying the relationships of diversity management HR practices and the organizational performance with moderating role of Functional leadership Dimensions, we contribute to the existing body of knowledge. Authors of this study made a significant and foremost academic contribution by bolstering the research on the topic of diversity management in Pakistan and broadens and harmonizes UK, US based academic literature on workforce diversity management. Furthermore, the conclusion of this study directs human resource directors in assessing and expanding diversity management rules and regulations in their organizations, thus, boosting organizational performance. Based on the findings of the study, leadership can determine what kind of diversity management HR policies and systems should be addressed to augment the organizational performance. By displaying the result of diversity management practices and policies on organizational performance, authors empower the human resource directors and member of the government departments, legislators, who generates ideas and strategies, particularly those carried out by government and the business who are responsible leadership roles and policy architects to formulate such HR regulations, policies statutes, rules and practices regarding the workforce diversity such as race, ethnicity, gender, education, function, religion and abilities to supports organizations to boost their performance in the form of quality of the decision making, innovation, creativity, visibility, productivity and the employee satisfaction, that have already been confirmed in USA and UK. The findings of the study decided that workforce diversity has significant and positive direct effect on organizational performance. The study concluded that greater diversity does not automatically create an inclusive environment, but a certain workplace environment is needed to be designed by leadership to strengthen diversity where diverse personnel think valued and respected. Therefore, policy makers need to devise such human resource diversity management statutes, rules, regulations, policies, and practices to encourage heterogeneous employees at offices and to offer equivalent opportunities to all personnel unobstructed by individual employee's characteristics such as education, religion, gender, race, ethnicity and abilities.

Theoretical Implications

Findings of the study offer several theoretical implications. For this study, different associations have been analyzed in context of the social categorization theory. The impacts of diversity management and moderating role of functional leadership dimensions independently

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on the organizational performance were examined. Research on the diversity management has done in the different methodological context. However, this study presents a review and appropriate synthesis of diversity and diversity management, functional leadership dimensions and the organizational performance. This literature will be especially useful to recognize the strong points and unpredictability of interactions under different study situations and circumstances. Further, this study has also implications for the social researchers who employ survey data to explain the diversity management. Theoretical implications may be summarized as 1) Research strengthens the results of the contemporary research diversity management and 2) Research endorses ODT for inclusive natural environment in Pakistan.

Practical Implications

Findings of the study offer significant perceptions to the experts and practitioners as well. Diversity management and the functional leadership have evidenced to have positive relations with the organizational performance thus challenging leadership to manage the diverse personnel in their respective organizations to bring value addition. The effectiveness of diversity management is shown in the form of enhanced performance due to innovation, visibility, creativity, quality of decision making, employee satisfaction and productivity. The present study will help out leadership to devise approaches for diversity management in their organizations. Organization with strong diversity management regulations, policies, rules and practices to encourage their heterogeneous employees by offering equal opportunities to all employees irrespective of their race, ethnicity, gender, education, religion, skills and abilities will survive only in today's extremely diverse employees as organizations are uninterruptedly getting inundated with diverse employees especially with respect to the gender in Pakistan. Therefore, leaders should build strong diversity management regulations, policies, rules, and implement them in truly.

Conclusion, Limitations and Future Directions

There are also several limitations that ought to be recorded for understanding the results of the study. Number one, this study was done in higher education institutions of Pakistan. Focus of the study is on diversity and diversity management with moderating role of functional leadership. Secondly, focus of the study is only employees of higher education institutions accepted by HEC. Furthermore, research model is limited to measure impact of the diversity management and the organizational performance. Fourth, sample size is restricted also to a certain number of the respondents. Though, data was not limited to particular age, education level, gender, ethnicity and religion. However, throughout the collection of the data, various factors dominated others. For example, more than 75% of respondents were men, whereas 24% were women, 49% were from administration and 51% were faculty members. PhD were 32%, MS/MPhil were 34%, BS/Master were 30% and BA were 4%. Thus, generalizability of the

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study requires a serious attention. For its generalizability, findings of the study ought to be validated in other sectors like manufacturing, hotel industry and IT sector for cross validation. 5th, even though data were collected from all Pakistan, but Baluchi were 4%, Pashtun were13%, Punjabi were 73%, Sindhi were 6%, Kashmiris were 3%. But more than the 73% were Punjabis, therefore, results of study may be changed if data is collected with the same number of the respondents from all provinces. Lastly, data is cross sectional in nature and is collected within the certain time period.

Based on above said limitations of the study, directions for further research can be proposed. Present study is focusing on higher education of Pakistan. Future studies can focus on other sectors. Secondly, focus of study is only the personnel of universities of Pakistan. Future studies may focus on personnel from the manufacturing, IT and hotel industry of Pakistan. Third, research model of study was constructed to investigate the effect of diversity management and the organizational performance. Future studies would focus on other factors including moderated moderation effect of different leadership styles and the workforce diversity. Fourth, respondent of study is also restricted to a particular sample size mainly from Punjab. Future studies may focus on other provinces, one by one, of Pakistan with the same number of the respondents from each province. Furthermore, future studies can also focus on generalizing the conclusions of current study in other countries for further validation in the cultural context. Finally, data for the study was cross-sectional and was collected within a restricted time, future studies may focus on longitudinal in the same or the different contexts. This research adopted available questionnaire with minor modifications. Therefore, in addition to questionnaire technique employed in the study, future research might consider the assessment of constructs in other alternative conducts, including the interviews and observations, which may contribute concerning the understanding of the various characteristics of the diversity management, leadership styles, dimensions and the organizational performance.

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