

LEVEL OF DIVERSITY OF FIRMS LISTED ON THE ZIMBABWE STOCK EXCHANGE

Zvinaiye Chimbadzwa¹ Lighton Dube¹ and Emmanuel Guveya²

¹Department of Business Management, Faculty of Commerce and Law, Zimbabwe Open University, Harare, Zimbabwe

²AEMA Development Consultants, 7479 Limpopo Rd, Ruwa, Zimbabwe

ABSTRACT

The study employed the quantitative methodology to establish the level of workforce diversity of thirty-five (35) firms listed on the Zimbabwe Stock Exchange using panel data for the period 2009 – 2015. The level of workforce diversity was measured using the Blau index. Workforce diversity variables used were board gender, board education and board executives. In addition, the study included non-workforce diversity variables such as geographic location and rural location diversity. The results show that gender and executive diversity were moderately diversified with mean diversity indexes of 0.32 and 0.36 respectively; whilst education was diversified with a mean of 0.60. Board gender in rural firms was diversified whereas, moderately diversified in non-rural firms. Board executive was moderately diversified in both rural and non-rural firms. Board education was also diversified for both rural and non-rural firms. Based on the above results, the study recommends that firms increase education, executive and gender diversity in rural locations in order to increase and enhance firm performance.

KEYWORDS

Workforce diversity, Blau index

1. INTRODUCTION

The need to effectively and efficiently manage a diverse workforce cannot be underscored due to the fast growing global markets and labour migration across borders. It is not possible for organisations or governments to ignore the effects of workforce diversity since this contributes to organisational and economic success. Tharp (2011) defines workforce diversity as all the characteristics and experiences that define each and every one of us as individuals where the characteristics of diversity include age, class, ethnicity, gender, physical and mental ability, race, sexual orientation, spiritual practice and public assistance status.

This paper focuses on establishing the level of board workforce diversity for thirty-five firms listed on the Zimbabwe Stock Exchange (ZSE) for the period 2009 – 2015. Managing diverse workforce comes with the advantages of employee motivation, commitment, self-confidence and improved relationships. Despite the benefits of diverse workforce, there are also challenges that are associated with its management. Diversity management brings with it groups and categorisations and these result in conflicts, harassment, discrimination and exclusions. These acts negatively impact individual and firm performance. Cultural differences bring with them challenges in serving the customers. Diversity also brings about communication barriers (Wilton, 2011; Henry & Evans, 2007). Employees from different ethnic backgrounds may find it difficult to effectively communicate with each other. They may also fail to communicate with customers resulting in organisations losing business to competitors. Zimbabwean companies seem not to

have diversity policies because they do not appreciate the role played by employing a diverse workforce to improve firm performance. There are few empirical studies, to the knowledge of the author, that focus on Zimbabwe (Sandada et al, 2016 and Chuma & Ncube, 2011). The purpose of this study is to establish the level of workforce diversity of ZSE listed firms for a seven-year period from 2009 to 2015.

The study assumed that modernisation and globalisation are a contributing factor to diversity; hence, organisations should reorient their strategies in line with these developments. There was lack of diversity disaggregated data for most diversity variables which then limited the choice of the variables used for this study. The researcher intended to collect detailed workforce diversity data, but the firms were not prepared to release the information. This resulted in the researcher opting to use secondary data.

2. METHODOLOGY

Panel quantitative secondary data was collected from firms that were listed on the ZSE over the period 2009-2015. The panel had 264 observations. The workforce diversity data was in relation to board gender, board executive, education level. In addition, the study included the geographic location and rural and urban diversity. The level of diversity was measured using the Blau index. The Blau (1977) index is calculated as follows:

$$\text{Diversity index} = \left(1 - \sum P_i^2\right)$$

where

P = proportion of individuals in a category

i = number of categories

The level of diversity was perceived as belonging to four categories as presented in Table 1.

Table 1: Blau Diversification Index Categories

Diversification category	Description of category
0-0.25	Undiversified
0.26-0.50	Moderately diversified
0.51-0.75	Diversified
0.76-1	Highly diversified

3. FINDINGS AND DISCUSSIONS

3.1. Board Gender Diversity

Overall, Fig 1. is showing that thirty-three percent (30%) of non-rural firms and forty percent (40%) of rural firms are undiversified; whilst sixty-one percent (61%) of rural firms and forty percent (40%) of rural firms are moderately diversified. 9% of non-rural firms and about twenty percent (20%) of rural firms are diversified in terms of board gender diversity. Focusing on diversification, the non-rural firms are moderately diversified than the rural firms. It is important to involve women in economic development if firms are to increase performance (Mpfu, Hove & Phuti, 2019).

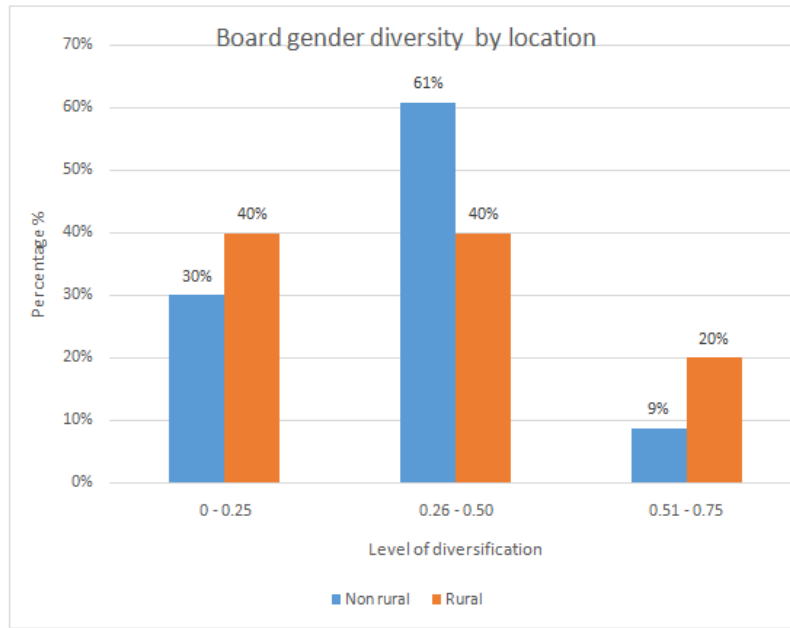


Fig 1. Board gender diversity by location

3.2. Board Executive Diversity

The results in Fig. 2 show that overall, thirteen percent (13%) non-rural firms and thirty percent (30%) rural firms are undiversified; whereas eighty-seven percent (87%) of non-rural firms and seventy percent (70%) of rural firms are moderately diversified in terms of board executive diversity. The percentage diversity is high in the non-rural firms. Board decisions are often carried out at head offices and it is common with Zimbabwean firms to have their firms head offices in non-rural locations as compared to rural locations. This could be attributed to the non-availability of resources which allow for the smooth functioning of administrative work in the rural areas.

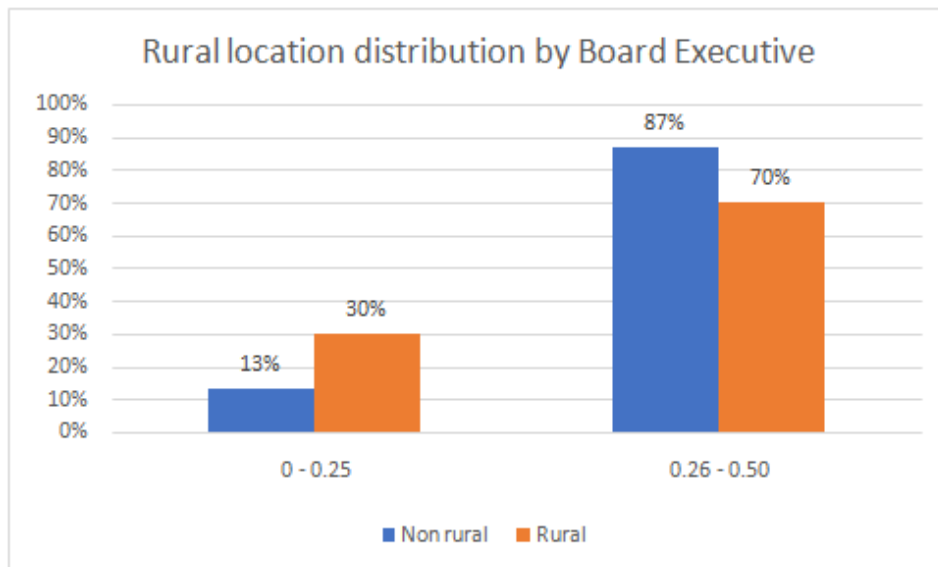


Fig 2. Board executive diversity by location

3.3. Board Education Diversity

The results show that majority of the firms are diversified for both rural and non-rural firms with at least seventy-four percent (74%) are diversified in terms of board education diversity, thirteen percent (13%) are not diversified, 4% are moderately diversified and 9% are highly diversified in terms of board education diversity. For rural firms, eighty percent (80%) are diversified whilst twenty percent (20%) are not diversified. The board members in the rural areas have high educational qualifications which could improve firm performance. It may be assumed that board members in non-rural firms would hold higher educational qualifications but the results show otherwise. Rural firms have managed to attract highly qualified board members to serve in their institutions.

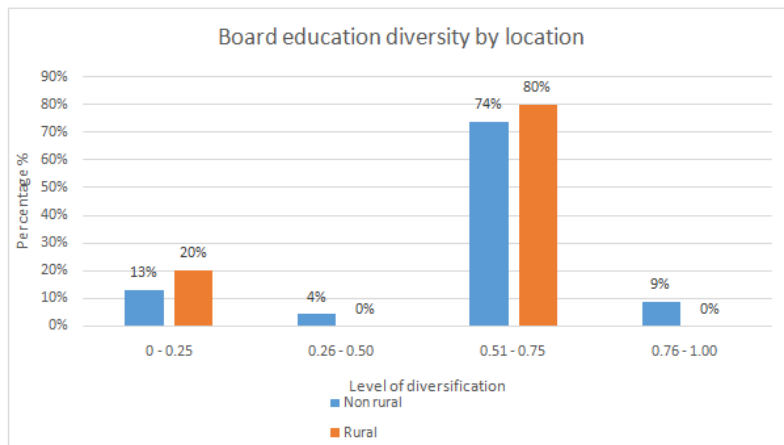


Fig 3. Board education diversity by location

3.4. Location Diversity

Fig 3. is showing that fifty-two percent (52%) of the non-rural firms are not diversified in terms of location diversity. Forty-four percent (44%) of the non-rural firms and thirty percent (30%) of rural firms are moderately diversified. Majority of the rural firms are diversified (70%) in terms of location diversity overall, the firms are more diversified in the rural areas than in non-rural areas.

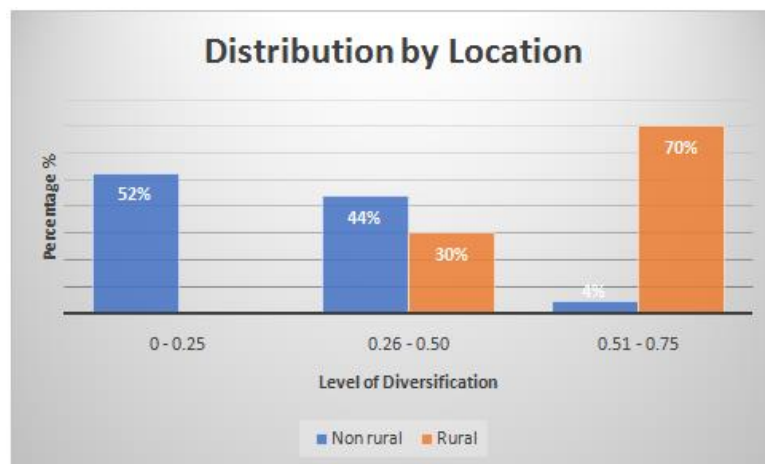


Fig 4. Rural location diversity

4. CONCLUSIONS

The study established that board gender diversity was moderately diversified in non-rural firms (61%); board executive diversity was moderately diversified in both rural (70%) and non-rural (87%) firms; board education diversity was diversified in both rural (80%) and non-rural (74%) firms. Overall, rural firms (70%) are diversified than non-rural (4%) firms. Based on the above results, the study recommends that firms increase education, executive and gender diversity in rural firms in order to increase and enhance diversity.

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AUTHORS

Zvinaiye Chimbadzwa is a lecturer in Human Resource Management with the Zimbabwe Open University. She holds a Master of Business Administration and studying towards a doctorate degree in Human Resource Management. She has vast experience in research and teaching and has published five research papers and a book. Her research interests are in workforce diversity, talent management, flexibility in the workplace, etcetera.

