LUISS

Department of Business and Management

Master's Degree in Management

Chair of Organizational Design

"The Unintended Consequences of Diversity: A Moderated Mediation Model of the Negative Side-Effects on Employee Engagement"

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A.A. 2022-2023

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INTRODUCTION

Technology advancements, immigration, and globalization have all contributed to an increasingly diversified workforce.

Globalization is undoubtedly a continuous process that is bringing people, cities, communities, regions, and nations closer together than they have ever been (UNESCO, 2013). The mixing of the lives of individuals from one part of the world with those from other regions through different channels, such as clothing, cuisine, music, information, and thoughts, is a direct result of this evolution (Inegbedion et al., 2020). In this context, creating a global culture capable of motivating and capturing employees from various parts of the world has become necessary due to the extremely multifaceted and unreliable organizational environment, as well as the enormous work pressure that comes from fierce competition (Panda, 2010). Indeed, it has been proved that without initiatives to advance practices and policies that encourage and include people from all backgrounds, companies will continue to lag behind (Thomas & Ely, 1996).

Hence, firms started to create innovative forms of work designs such as project teams, cross-functional teams, and others to keep up with the demands of globalization (Janssens and Steyaert, 2002). Within this setting, cross-cultural teams have emerged as important organizational structures, where it is sought to coordinate the different backgrounds of today's highly diversified workforce through diversity management approaches. A global corporate culture that depends on successful diversity management has the capacity to integrate into any organization in any location without experiencing alienation (Inegbedion et al, 2020).

For these reasons, diversity management seems to have gained significant attention in management literature in the past several years, with academics from a wide range of related but distinct intellectual fields studying and analyzing the topic from numerous angles (Inegbedion et al., 2020).

Diversity is often defined as "*the distribution of differences among the members of a unit concerning a common attribute X, such as tenure, ethnicity, conscientiousness, task attitude, or compensation*" (Harrison & Klein, 2007, p. 1200). Years of research into the benefits and drawbacks of diversity in the workplace have produced both positive and negative findings (van Knippenberg & Schippers, 2007; Williams & O'Reilly, 1998), a phenomenon also known as the "paradox of diversity" (Bassett-Jones, 2005).

On the one hand, diversity has the ability to boost organizations' competitiveness by encouraging productivity, satisfaction, creativity, innovation, and problem-solving (Mulu et al., 2021; Cox and Blake, 1991).

On the other hand, diversity can also lead to miscommunication, distrust, and conflict in the workplace, which can affect productivity, morale, and competitiveness (Basset-Jones, 2005).
The point is that while managing workforce diversity is a goal, it also has the possibility of being detrimental and compromising efforts to establish a healthy workplace environment for all employees.

Additionally, most previous research in the area focused on objective diversity, or actual differences in member characteristics, while perceived diversity, or members' awareness of differences, has gotten much less attention (e.g., Harrison, Price, Gavin, & Florey, 2002; Shemla & Meyer, 2012; Zellmer-Bruhn, Maloney, Bhappu, & Salvador, 2008). Therefore, this historical emphasis on objective diversity has been challenged by a growing corpus of research that specifically studies the role of perceived diversity in teams. Its significance is grounded on the core idea that "*people react based on perception of reality rather than reality per se*" (Shemla et al., 2016, p. 90).

In this scenario of great confidence and promulgation of practices in favour of diversity and occupational inclusion, however, the results obtained may be far from those hoped for. Citing the model of Nishii et al (2008), there may be a mismatch in the transition between intended and actually implemented practices, and, cascading, in how they will be considered and put into practice by workers. Workers can be biased against diversity and perceive it in a negative way, which can lead to opposed effects of company policies from what was initially desired. Therefore, such negative perceptions can seriously undermine the performance of the team, creating significant friction and discontent.

One of the main indicators of performance is team engagement, defined as the different ways in which employees are engaged emotionally, physically, and cognitively with their work (Kahn, 1992). According to a review by Van De Voorde, Paauwe, & Van Veldhoven (2012), engagement is a key mediator between HR practices and organizational performance. Thus, if scarcely present, it can negatively affect organizational outcomes.
By analysing the available literature on the topic, it is clear that little has been done to determine the negative impact of diversity management on employee engagement. Given the prevalence of workplace diversity in modern businesses, it is important to pay attention to how it affects employee engagement because it represents an essential component of organizational competitiveness. Hence, the present study aims in answering the research question *"How do negative diversity perceptions of cross-cultural teams have an impact on employee engagement?"*.

The present study is structured in the following way. The first chapter delves into the literature review of the topic, thus giving the theoretical groundwork of what the research has discovered so far. Then, the second chapter clarifies the set of variables used to test the relationship between diversity practices and employee engagement. Finally, the third chapter describes in detail the analysis that has been run, focusing on the results, its significance, and implications.

1. CHAPTER 1: THEORETICAL FRAMEWORK

1.1. Diversity Management

Diversity management refers to organizations' systematic and planned commitment to recruit, retain, reward, and promote a heterogeneous mix of employees (Ivancevich et al., 2000). Moreover, it involves understanding that there are differences among individuals and that, when handled well, these differences may be an asset for work that is done more effectively and efficiently (Bartz et al., 1990). Specific actions, programs, policies, and any other official procedures or efforts intended to support organizational cultural change related to diversity include diversity management initiatives (Wentling, 2000). In this study, diversity management is referred to the combined impact of HRM sub-systems, such as hiring, compensation, appraisals, employee development, and individual managerial behaviours, in generating competitive advantage via teamwork and leadership (Bassett-Jones, 2005).

Furthermore, it has been demonstrated that diverse employees' knowledge, abilities, and experiences "*are potentially valuable resources that the [organization] can use to rethink its primary tasks and redefine its markets, products, strategies, and business practices in ways that will advance its mission*" (Ely and Thomas 2001, p. 240). Additionally, it has been shown that different individuals' working styles—specifically, how they approach tasks and problems—are resources that are crucial for organizational development and performance (Ortlieb and Sieben, 2013).

Furthermore, according to resource-based theories, diversity is seen as a powerful resource that improves performance through cognitive advantages. These theories consider diversity a business necessity and forecast higher performance levels from varied firms (Barney et al., 2001; Wright and McMahan, 1992).

These are all the reasons why researchers and HR managers are becoming more interested in the topic, also owing to increasing data suggesting a connection between diversity management and corporate performance (Armstrong et al., 2001).

1.1.1. Goals of Diversity Management

One of the goals of diversity management for organizations is to raise cultural awareness, that is, cultivating the capacity to recognize, accept, and value diversity through organizational intervention (Soni, 2000). By doing this, is expected that people from all socio-cultural backgrounds can better

contribute to the organization by reaching their full potential and that patterns of inequality experienced by those outside the mainstream are reduced (2000).

In addition, among other purposes attributed to diversity management, there is the ability "*to create and maintain a positive work environment that values the similarities and differences of individuals*" (Patrick & Kumar, 2012, p. 5). With the goal of maximizing the advantages of the broadest range of perspectives connected to diversity, diversity management helps an organization look beyond the complications of diversity and value the distinctions in individuals that are generated by it (Tenas, 2012).

Specifically, it aims to encourage acceptance and respect for people's differences because of their individuality in the dimensions of diversity, as well as recognition of those differences (Inegbedion et al., 2020). Indeed, it is believed that only through acceptance of these distinctions it is possible to embrace and celebrate the rich and unique qualities inherent in each human, as opposed to superficially just tolerating one another (2020). To achieve this goal, diversity management aims to identify and study the heterogeneity of groups or individuals for the benefit of the group in question and of society as a whole (2020).

The central question in the research on diversity has always been how diversity impacts group outcomes. Two theoretical traditions have been used to make predictions about this relationship. According to the *information decision-making perspective* (see De Dreu, 2006), diversity can positively influence team processes and functioning by allowing for the use of a broader range of knowledge and skills.

A school of thought based on *social-categorization theory,* on the other hand, contends that diversity can lead to social divisions and unfavorable intra-group dynamics that inhibit performance (Mannix & Neale, 2005). Therefore, given that people work hard to keep a positive self-concept through their social identity, social identity theory predicts the negative effects of diversity (Tajfel, 1978; Tajfel & Turner, 1986). Support for these views, however, has been divided.

1.1.2. Dimensions of Diversity

Identifying the diversity factors that have a major impact on employee behavior at work requires an understanding of the diversity dimensions (Inegbedion et al., 2020). This is crucial to decision-makers, and especially strategic managers, because awareness of the main characteristics and their effects on diversity management may be advantageous.

Gardenswartz and Rowe (1998) propose four levels of diversity dimensions in their work. The first is *personality*, which includes an individual's likes and dislikes, values, and beliefs. Then, i*nternal dimension*, which includes aspects of diversity that are beyond the control of the individual and which form the core of many diversity efforts (Gardenswartz & Rowe, 1998). The other two levels are represented by *organizational dimensions*, which concentrate on organizational culture, and *external dimensions*, which are made up of those parts of diversity that are outside our control. Indeed, Gardenswartz and Rowe (1998) pointed out that although many discussions about diversity concentrate on characteristics like race or gender within an organization, the significant problems related to favouritism and the potential for career growth or promotion are in actuality shaped by factors outside of these internal dimensions.

Figure 1: The Four Layers of Diversity Model. Source: Gardenswartz & Rowe, Diverse Teams at Work (2nd Edition, SHRM, 2003)

Additionally, diversity was divided into *primary* and *secondary orientations* according to Carnegie Mellon University's typology (2014). The *primary orientation* is determined by age, race, ethnicity, gender, physical strength, and sexual orientation, while the *secondary orientation* is determined by education, family status, earnings, work history, religion, location, geographical experience, and relationship status. Age, gender, ethnicity, race, cultural heritage, religion, and sexual orientation were the six aspects of diversity recognized by the University of Washington (2018). Regardless of the classification, there are some diversity-related characteristics that come with employees from

different backgrounds in their respective firms. These characteristics include the individuals' personality, gender, race, age, ethnicity, and religion.

Another classification is presented by Williams & O'Reilly (1998) and van Knippenberg & Schippers (2007), as well as other researchers, who distinguished between *surface-level* and *deep-level diversity*. *Deep-level diversity* describes differences in team members' views, values, or personalities, which must be deduced through interactions and behaviors, as opposed to *surface-level diversity*, which refers to disparities in demographic (visible) factors like age, gender, or race (Harrison et al., 1998). *Surface-level diversity* has typically been shown to have a limited effect on team performance (Horwitz & Horwitz, 2007). *Deep-level diversity,* on the other hand, can have an impact on team performance since personality variations like conscientiousness are frequently job-related. Similarly, it has been found that teams perform worse when team members have different values (Jehn & Mannix, 2001). According to Horwitz and Horwitz (2007), bio-demographic diversity was irrelevant to team performance, whereas task-related variety (such as disparities in education) enhanced teams' effectiveness.

Without a doubt, the inability to give the concept of diversity a clear, universal definition creates barriers to theoretical and practical advancement (Shemla et al., 2016).

1.1.3. Benefits of Diversity

The mounting of research contributions in the literature confirms the positive impact that diversity management has on organizational performance (Otiende, 2014; Ngao et al., 2013; Magoshi et al., 2008). There are obvious advantages that might make a varied workforce appealing in the modern, international setting. Diversity management has been found to positively affect employee productivity, satisfaction, creativity, and innovation, which can increase corporate performance (Mulu et al., 2021). Other benefits of effective diversity management are better-quality brainstorming solutions (Cox and Blake, 1991), the capacity to hire from a wider pool of candidates and retain better workers for longer (McKay et al., 2007), as well as enabling access to a changing market by reflecting increasingly diversified marketplaces.

Also, rapid adaptability, the availability of a wider range of problem-solving strategies, and resource allocation are all advantages of workplace diversity (Greenberg, 2015). Additional advantages include a diversified group of abilities and experiences, a variety of linguistic and cultural origins, and a range of points of view (Greenberg, 2015; Philips, 2014). Moreover, it has been shown that project execution is efficient and effective when a wide range of abilities, experiences, and alternate problem-solving methods are combined (Greenberg, 2015).

Similarly, it has been suggested that having a diverse staff enables a corporation to move its business activities from a physical location to the online market (Adler, 2002). Diversity aids in the broadening of an organization's perspective, approach, and strategic tactics, the introduction of a new product, the construction of a marketing strategy, the development of a new idea, the design of a new operation, and the evaluation of emerging trends (Adler, 2002).

In addition, it is commonly believed that the markets and stakeholders of an organization naturally include cultural diversity, meaning that they normally come from distinct backgrounds and origins (Hofhuis et al, 2013). As a result, having a diverse staff is a useful advantage for learning about and connecting with minority groups in society (e.g., Ely and Thomas, 2001). The *"insights, skills, and experiences that employees have cultivated as members of various cultural identity groups represent potentially valuable resources that the work group can use to reevaluate its core responsibilities and redefine its markets, products, strategies, and business approaches in a manner that advances its mission"* according to Ely and Thomas (2001, p. 240).

Moreover, a higher propensity of the organizational workforce to overcome culture shock when the business expands in other nations and becomes multinational represents another advantage of cultural diversity in the workplace (Martin, 2014). A variety of challenges are associated with international expansion, including, but not limited to, learning about local laws and customs, evaluating risks, and developing mitigation plans for those risks (Martin, 2014). It has been shown that, when a business has a culturally diverse workforce, it may use the information and expertise of the individual employees to accomplish these goals and get past the problems mentioned earlier (Martin, 2014).
A further good point provided by Martin (2014) is that people from different cultures typically think dissimilarly and may therefore examine a situation from a range of different angles, which may be challenging to accomplish when workers from the same culture are required to assess a common issue. Indeed, it has been demonstrated that employees from other cultures have unique experiences, which can be advantageous by giving the company access to a solid and comprehensive knowledge base (Martin, 2014). One example of this issue is provided by Al-Jenaibi (2011), who researched the significance and reach of cultural diversity in UAE organizations. The survey revealed that the majority of the workers concurred that working in groups with people from different cultural backgrounds helps *"to overcome cultural differences through shared experiences when working within a team"* (Al- Jenaibi, 2011, p. 71). This outcome is also linked to the in-group identification concept (van Knippenberg et al., 2007) or higher performance when individuals see the importance of working with varied colleagues (Homan, van Knippenberg, Van Kleef, & De Dreu, 2007).

In addition, research has demonstrated that the perspective of the majority towards diversity significantly influences how minority individuals feel accepted. This means that having a favourable attitude towards diversity is particularly advantageous for fostering intergroup interactions (Hofhuis et al., 2013)

Lastly, organizations may view cultural diversity as a tool for projecting a favourable image to the public (Hofhuis et al, 2013). Demonstrating a diverse workforce suggests that an organization is socially responsible, offering equal opportunities to all cultural groups, and striving to combat discrimination (e.g., Cunningham and Melton, 2011). This concept aligns with contemporary discussions on corporate social responsibility and ethical practices within modern businesses (e.g., Bear et al., 2010; Bird et al., 2007).

1.1.4. The Paradox of Diversity Management

According to Basset-Jones (2005), diversity management practices can cause a paradoxical situation for organizations in which on the one hand, diversity can serve as a foundation for competitive advantage because it is a well-known source of creativity and innovation. On the other hand, diversity can also lead to miscommunication, distrust, and conflict in the workplace, which can affect productivity, morale, and competitiveness. Therefore, organizations are faced with the paradoxical challenge of managing the benefits and drawbacks of employee diversity (Basset-Jones, 2005).

1.1.5. Challenges of Diversity

Despite the media and modern literature highlighting the advantages of cultural diversity in the workplace, noting improvements to workers' competence and creativity, this acknowledgement does not translate as strongly in practice as it does in theory (Al-Jenaibi, 2011, p. 49). Indeed, diversity practices do not always lead to the expected positive results (Von Bergen et al., 2002).
Results that suggest there is "value in diversity" have been challenged by theorists who have demonstrated that diverse teams experience the presence of higher training expenses, lack of cohesion, higher turnover, less social integration, more communication issues, and greater conflict than their homogeneous counterparts (Williams and O'Reilly, 1998¸ D'Netto and Sohal, 1999).

Concerning the last aspect, workers from different cultural backgrounds have varying perspectives, thoughts, beliefs, practices, values, trends, and traditions (Martin et al., 2014). These variations of viewpoint and other factors can impede the formation of unity when culturally varied workers are put together. Another point is given by Byrne (1971), according to which people prefer and seek out interactions with others that resemble them. Interpersonal conflicts therefore should occur between team members who are different, which should have a detrimental effect on performance (Pelled, Eisenhardt, & Xin, 1999).

Other research (Tsui et al., 1992) has demonstrated that people who believe they are distinct from their co-workers had lower degrees of loyalty to the employing businesses.

Another challenge is in the perception that workers have of the underlying reasons for diversity management practices. Specifically, employees can believe that some diversity management programs are being implemented only to gain an economic advantage, which is one of the critiques levelled against them (McKay and Avery, 2007; Thomas and Ely, 1996).

An interesting study that can be used to understand the challenges that diversity creates is Stephan and Stephan's Integrated Threat Theory (ITT, 2000), whose focus is on how majority groups perceive minorities. ITT identifies three categories of threats that can arise in culturally diverse settings, namely, *realistic threats*, *symbolic threats,* and *intergroup anxiety.* In a professional setting, *realistic threats* associated with diversity include concerns about potential adverse impacts on one's career, status, authority, or influence (2000). This feeling of threat becomes especially significant during periods of corporate restructuring or downsizing, where employees' overall sense of security is already compromised, even before considering the aspect of cultural diversity (Hofhuis et al., 2013). Then, *symbolic threats* are associated with a circumstance in which the out-group's beliefs, values, and symbols are perceived as a threat to the in-group's own beliefs, values, and symbols (2000). The reason behind this perception lies in employees' resistance to altering established behaviours and facing a worldview that may not align with their own (Hofhuis et al., 2013). Lastly*, intergroup anxiety* refers to the negative emotions experienced by in-group members when interacting with out-group members (Curseu et al., 2007). This often stems from a fear of making errors or feeling embarrassed during these interactions.

1.1.1 Managing Diversity in Teams

Employees are typically engaged in one of two ways: they collaborate within teams, defined by Katzenbach and Smith (1993) as individuals possessing complementary skills, a shared commitment

to a common purpose, a set of performance objectives, and a collective sense of accountability; alternatively, they function within groups. Those in the latter group are identified as individuals engaged in cooperation but with a lower degree of coherence and purposefulness compared to team members (1993). Teams are made up of people who are able to identify the personal qualities and weaknesses of their teammates. They modify their behavior to meet the needs of their co-workers (1993).

The management of work routines and the formation of appropriate teams are associated with the establishment of favorable conditions to encourage creativity and invention in cross-cultural teams (Basset-Jones, 2005).

In actuality, groups or teams, rather than individual employees, are today responsible for completing a growing percentage of work within organizations (Ruscio et al., 1995). It is the responsibility of the HRM function to encourage major financial investment in the training of managers and to motivate them to embrace the emotional labor involved in managing diversity inside the company (1995).

Furthermore, on the downsides, despite growing interest in diversity education, assessing how learning experiences related to diversity affect perceptions and behaviour has received far less attention (Comer and Soliman 1996; Hansen 2003; Probst 2003). The 2005 SHRM poll found that whereas 67% of businesses offer diversity training, only 38% spend the time to assess the results of their diversity initiatives (Esen, 2005).

Finally, diversity's relevance, implications, and display are likely to differ between cultures. For instance, while religious diversity is less likely to be prominent in liberal countries, it is likely to be an important factor in defining how groups operate in more conservative and religious contexts (Shemla et al., 2016).

1.2. Perceived Diversity

Previously, most of the research in the field has concentrated on objective diversity, or “actual differences” in member characteristics, while perceived diversity, or “members' awareness of differences”, has received scant attention in the literature (e.g., Harrison, Price, Gavin, & Florey, 2002; Shemla & Meyer, 2012; Zellmer-Bruhn, Maloney, Hentschel et al, 2013; Bhappu, & Salvador, 2008).

However, over time, the concept of the perception of diversity started to gain more and more significance, up to creating a specific body of research dedicated to emphasizing its importance with

respect to objective diversity. Provided that people react based on their perception of reality rather than reality itself (e.g., Hobman, Bordia, & Gallois, 2003), this recent change in emphasis in the diversity field has the potential to significantly advance our understanding of diversity in teams.

1.2.1. Defining Perceived Diversity

There are several definitions of perceived diversity in the literature. While some extensively defined it as "*perceptions of dissimilarity held by individuals vis à vis others based on exposure to others' readily detectible attributes*" (Shrivastava & Gregory, 2009, p. 528), or as "*the extent to which members perceive themselves as being similar to the others*" (Huang & Iun, 2006, p. 1122), others have suggested narrower definitions such as "*the extent to which one person believes that another person is similar in terms of underlying attitudes, values, and beliefs, as a deeper level similarity*" (Turban, Dougherty, & Lee, 2002, p. 243).

Furthermore, definitions of perceived diversity vary in their ability to distinguish between the perceived presence of differences (e.g., "*the degree to which members view themselves as having few differences*"; Zellmer-Bruhn et al., 2008, p. 42) and the subjective meaning attached to this perception ("*perceived diversity captures members' beliefs about the diversity within their team*"; Hentschel, Shemla, Wegge, & Kearney, 2013, p. 35).

All in all, one of the most exhaustive definitions was provided by Shemla et al. (2016, p. 37-38), according to which perceived diversity is *"the degree to which members are aware of one another's differences, as reflected in their internal mental representations of the unit's composition*". These perceptions are conceptually separate from subjective evaluations of diversity represented in categories like subjective diversity[1] or diversity beliefs.

1.2.2. Objective vs Perceived Diversity

When examining perceived diversity, researchers have used a wide range of conceptualizations and operationalizations, and existing typologies developed in research on objective diversity mostly ignore the variations between types of perceived diversity. Additionally, while research on objective diversity has mainly taken the view that it can have both positive and negative effects (van

[1] For instance, Shemla et al. (2016) argue that the word "subjective diversity" refers to a greater range of experiences that extend beyond observation and awareness and include emotive and cognitive reactions. In practice, though, the line between perceiving differences and giving significance to them may be less obvious (p.91).

Knippenberg et al., 2004; Williams & O'Reilly, 1998), research on perceived diversity has largely assumed that it has negative effects (Harrison et al., 2002; Liao, Chuang, & Joshi, 2008; Zellmer-Bruhn et al., 2008).

Perceived diversity has a number of benefits over objective diversity when it comes to the problem of defining diversity across cultures, situations, and diversity aspects (Shemla et al., 2016).

First, it is challenging to measure objective levels of diversity because it requires that team members actually find such elements to be important or relevant[2] (Shemla et al., 2016). Contrarily, when diversity is measured through the subjective impressions of group members, there is no need to assume that particular aspects of diversity are pertinent to the given unit, environment, or culture (2016).

Second, as was already said, one of the main issues with objective diversity metrics is the inability to distinguish between the various diversity features (Shemla et al., 2016). Varied traits are likely to have distinct psychological connotations and affect social groups differently depending on the culture. Perceived diversity metrics get over this problem by enabling the psychological weighting of diversity qualities that are qualitatively distinct from one another (2016).

For instance, Homan, Greer, Jehn, and Koning (2010) showed that individuals' perceptions of identical team configurations can vary depending on their ideas about diversity. Similarly, Oosterhof et al. (2009) showed that people use a wide range of peculiar categories in their assessment of differences at work.

As a result, it is challenging to reconcile the findings of research on objective and perceived diversity, and the "business case for diversity," which is the presumption that diversity can be advantageous for work units (van Dijk & van Engen, 2013), seems to run counter to the findings of research on perceived diversity.

1.2.3. Focal Points on Perceived Diversity

In trying to fulfil the lack of comprehensive literature concerning perceived diversity, Shemla et al. (2016) attempted to gather all pre-existing works and information about the topic. In doing so, they theorized how the whole literature regarding diversity perceptions is very likely to stick to three focal points: *perceived self-to-team dissimilarity, perceived subgroup splits, and perceived team heterogeneity.* It is proposed these three focus points reflect various theoretical backgrounds and

[2] based, for example, on the team members' ages or educational specializations

research approaches and are thus important to distinguish when studying the pattern of effects on team processes and outcomes (2016).

To start with, *perceived self-to-team dissimilarity* represents the first category of focal point and relates to how much individual members believe they are different from their unit. According to the social categorization theory (Brewer & Brown, 1998), people who perceive themselves as different from other team members tend to regard those people as belonging to their out-group, while people who believe they are similar to other team members are likely to regard those people as belonging to their in-group (Chattopadhyay, 1999).

In light of this, out-group individuals may receive less favorable evaluations and behavioral attributions (Brewer, 1979). Therefore, it is believed that individuals are less likely to consider other team members' perspectives, act in a helpful manner toward others, and show loyalty to the team the more different they feel to be from other members of that team (Shemla et al., 2016). Moreover, according to the similarity-attraction perspective (Byrne, 1971), perceived self-to-team dissimilarity is predicted to reduce an individual's social interactions, which in turn is predicted to reduce cooperation and team performance (Harrison et al., 2002).[3] Cunningham (2007) found that perceived deep-level similarity (i.e., similarity in terms of personality, values, and attitudes) was associated with higher levels of satisfaction and lower levels of turnover intentions.

Perceived subgroup splits, the second focal point, pertains to how much the team members believe their group is divided into subgroups. The fault-lines theory[4] is most typically used to explain the implications of apparent subgroup divides (Du et al., 2021). According to Lau and Murnighan (1998), this line of inquiry examines the results of the combination of various diversity traits into (supposed) homogeneous subgroups within teams. Whether the hypothetical subgroup break is felt by group members (referred to as "active fault-lines") allows for the distinction of fault-lines (1998).

The psychological mechanisms that have been put forth to account for the potential influence of subgroup distinctions typically forecast negative results. Members are more likely to label members of other homogeneous subgroups as the out-group in teams with strong fault-lines (Turner, Hogg, Oakes, Reicher, & Wetherell, 1987). In turn, this causes adverse affective and behavioral responses among members of different subgroups, including decreased cohesion (Homan, van Knippenberg, van Kleef, & De Dreu, 2007) as well as challenges in exchanging information across the boundaries

[3] For example, Graves and Elsass (2005) found that members who perceived themselves to be alike to the team in terms of background, values, and academic abilities, were more willing to engage in social and task exchange, were more satisfied with co-workers, and more committed to the team.

[4] This concept is of very much importance in this work and will be extensively treated later on.

of the subgroups (Meyer & Schermuly, 2012). Lower levels of team performance are ultimately a result of these processes.

On the other hand, it is thought that the third focal point, *perceived group heterogeneity*, will be connected to a chance for successful group dynamics. The degree to which group members perceive their group to be made up of individuals who differ from one another on a certain characteristic is known as perceived group heterogeneity (Shemla et al., 2016). Group heterogeneity perceptions require the individuation of group members, in contrast to subgroup split perceptions, which imply construing group members in terms of "us-them" (Homan et al., 2008). This distinction is important because group heterogeneity perceptions are more likely to be related to good diversity effects than the former views, which are more likely to be related to negative impacts (e.g., Homan & Greer, 2013).

1.2.4. Cognitive Factors Explaining the Effects of Perceived Diversity

Diversity produces favorable results, such as those related to group identification (van Knippenberg et al., 2007) or higher performance (Homan, van Knippenberg, Van Kleef, & De Dreu, 2007), when employees see the importance of working within cross-cultural teams. Nevertheless, it is still unknown what psychological mechanism underpins these results.

Different people hold various perspectives on diversity. They can think that working with individuals who are similar to them is better, or they might see value in the concept of working with people who are different from themselves (Hentschel et al., 2013). This idea was just recently introduced to diversity research and has been referred to by several names, including *diversity perspectives* (Ely & Thomas, 2001), *diversity beliefs* (van Dick et al., 2008), and *openness to diversity* (Mitchell, Nicholas, & Boyle, 2009). These differing opinions may be the result of interaction with others, education, or individual experiences that people have had when working with others who are similar to (or different from) themselves (Hentschel et al., 2013). Also, according to Kearney et al. (2009), diversity beliefs may also be linked to personality traits like the ability to tolerate ambiguity or the requirement for cognitive function. That said, the word "*diversity perceptions*" in this work refers to people's opinions on the benefits of working in diverse teams, thus drawing inspiration from Ely and Thomas' (2001) research.

However, the study proposed by Schumpe et al. (2021) provides a feasible explanation for the impacts of perceived diversity that have been noted in the literature. Their study contributes to several ways to a better understanding of the role of cognitive variables in diversity effects.

It is suggested the Need for Cognitive Closure (NFCC; Kruglanski, 1989, 2004) is a cognitive mechanism for describing how perceived diversity can result in both favorable and unfavorable diversity outcomes. According to Kruglanski and Webster (1996), NFCC is the "*desire for a firm answer to a question and an aversion toward ambiguity*" (1996, p. 264). To prevent uncertainty and ambiguity, there is an urge to acquire stable, firm knowledge (see Webster & Kruglanski,1994). The traits of NFCC are a preference for predictability, decisiveness, order, and a rejection of ambiguity and closed-mindedness.

NFCC is connected to the consequences foreseen by the information and decision-making perspective as well as the social categorization. Given that people work to preserve a positive self-concept through their social identity, social identity theory (Tajfel, 1978; Tajfel & Turner, 2004) predicts the adverse impacts of diversity. People that they think to be similar to themselves are liked and sought after to communicate with (Byrne, 1971). As a result, interpersonal disputes amongst members of a diverse team should hurt performance (Pelled, Eisenhardt, & Xin, 1999). However, models for information and decision-making in teams (such as De Dreu, 2006) imply that diversity will have a positive effect on performance.

In this context, perceived diversity can be connected to either a motivated opening or closure of the mind (Kruglanski and Webster, 1996). People's perceptions of diversity affect whether they are open to or closed off to perceived differences (van Dick et al., 2008; van Knippenberg, De Dreu, & Homan, 2004). The proposed mechanism provides a likely explanation of how diversity ideas have an impact on companies and why both positive and negative results can be attributed to diversity.

In brief, Schumpe et al. (2021) suggested that people's perceptions of diversity cause them to close their minds (NFCC), which is a reaction to the unease people experience when they are around different people. Positive attitudes toward diversity, however, moderate the association between perceived diversity and NFCC (2021).

On the other hand, employee belief in the benefits of working with diverse people helps to lessen the negative effects that perceived diversity has on NFCC.

1.2.5. The Process Model of SHRM

According to Nishii et al. (2008), there is a difference between what organizations plan to do (intended diversity practices) and what they actually do (implemented diversity practices), and what is

perceived by employees to be done (perceived practices). Hence, the various steps proposed in their Process Model of HRM results crucial to fully comprehend how ‘*’HRM practices (..) impact organizational performance*’’ (Nishii et al., 2008, p.8).

The model is characterized by two main assumptions. The former is the principal focus on HRM procedures at the level of the job group. According to the importance and distinctiveness of the talents of employees in certain job groups, organizations have diverse HR systems for different groups of employees, as stated clearly by Lepak and Snell (2000)[5]. The latter is the presumption that business strategy falls outside the model's scope. Their aim is not to state that business strategy is irrelevant or that it has no impact on how the intended HRM practices are developed but it is instead considered as an exogenous variable (2008).

By analyzing *Figure 2* below, it can be noticed how the Process Model results to be divided into two layers of analysis, the former based on the “job group” (Employment Relationship) and the latter based on the “individual employee” (Psychological Contract).

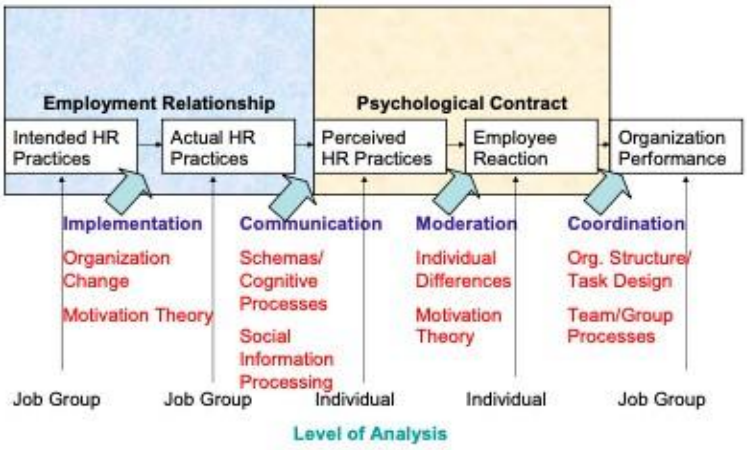

Figure 2. Process Model of SHRM. Source: Nishii, L. H., & Wright, P. (2008). Variability at multiple levels of analysis: Implications for strategic human resource management. The people make the place, 225, 248

The “Employment Relationship” is made up of:

1) Intended HRM Practices.

These procedures are the result of an HR strategy aiming to create an HRM system that, in the opinion of the company's decision-makers, would successfully generate the appropriate answers from

[5] Additionally, to more precisely identify the practices that are in place, scholars like MacDuffie (1995) and Delery and Doty (1996) have underlined the importance of focusing assessments of HR practices on "core" job categories.

employees. This may be directly related to the business strategy or be influenced by other outside factors (2008).

2) Actual HRM Practices[6]

This acknowledges that not all desired HR procedures ultimately go into effect, and those that are most often do so in ways that diverge from those initially intended (2008).

The distinctions between an organization's promoted strategy (i.e., what leaders claim the strategy is) and realized strategy (i.e., what it actually does) were made by Mintzberg in 1978. Several causes, whether political, institutional, or rational contribute to the mismatch (Mintzberg, 1978). By incorporating this distinct concept, it is acknowledged that, despite the possibility of a designed HR system defined by the decision-makers, the system is rarely fully implemented by those tasked with doing so (2008).

Subsequently, the "Psychological contract" concerns:

1) *Perceived HRM Practices.*

The approach holds that while actual HR practices are objectively present, each employee in the focus group must perceive and interpret them in their own unique way. The process thus descends to the level of a single individual. At this level, significant variation is possible as a result of both variations in actual HR practices, which would probably result in valid variations in perceived HR practices and variations in the schemas people use to perceive and understand HR-related data (2008).

2) *Employee Reactions*

In the end, employees will respond based on how they view HR policies. Indeed, each employee interprets the information in a way that causes them to act in some way, whether it be affective (attitudinal), cognitive (knowledge or skill), or behavioural (2008). According to the tenets of *social exchange theory*, affective reactions include responses such as job satisfaction and/or organizational commitment (Blau, 1964). According to Lee and Allen (2002), the set of behavioural reactions can be divided into three categories: task-related, counterproductive, and discretionary. The type of behaviour that is expected as part of a task is referred to as task behaviour. Negative actions taken either to harm the organization or to advance one's personal status at the expense of the organization are referred to as counterproductive behaviour (2002). Counterproductive actions include sabotage,

[6] The following box is titled "Actual HR Practices," in line with Truss and Gratton (1994) and Wright and Snell (1998).

time theft (such as using work time for personal pursuits), and the theft of products (2002). Behaviour that is not required by the organization but is intended to benefit it is referred to as discretionary behaviour (2002).

Nevertheless, Nishii et al. (2008) supported that it is the link between the various processes that offer opportunities for research into pertinent topics and may aid in improving our theoretical and empirical understanding of the mechanism by which HR has an impact on business performance.

From Intended to Actual HRM Practices: Implementation

From "intended" to "actual" HRM practices, the real difficulty is in implementing such practices in the organization, presuming that decision-makers have created an intended system of HRM practices that they feel will result in beneficial organizational outcomes (2008). This necessitates major system/practice transformation in certain situations, while just requiring minimal adjustments in others (2008)[7].

From Actual to Perceived HR Practices: Communication

Moreover, from "actual" HR practices to the ones "perceived" by employees, the main issue results in communication. One of the most comprehensive multi-level frameworks for understanding the SHRM process is provided by Bowen and Ostroff (2004) and it is based on communications theory[8]. These authors examine how various elements of the HRM systems might either help or hinder the message by using communications theory as a foundation.

While their theory opens intriguing new directions for studying the SHRM process, other OB hypotheses are also pertinent. For instance, Rousseau (2001) makes the case in the psychological contracts' literature that people's prior exposure to HR practices affects how they perceive and understand HR and other organizational activities in their current organization. Given that people's cultural backgrounds also influence how they gather, process, store, and use information from their environments, taking these information-processing differences among individuals into account may become even more crucial as cultural diversity in the workforce increases (Shaw, 1990).

[7] A fascinating measuring challenge is also raised by this distinction between intended and actual HR practices. Does the current SHRM research base capture planned or real-world HRM practices? According to Gerhart, Wright, and McMahan (2001), the answer may depend on who is being surveyed. For example, when surveying a single HR representative, we may be more likely to measure intended HR practices than when surveying employees and line managers (2001).

[8] According to Bowen and Ostroff (2004), HR practices are organizational communication tools used to convey specific signals to employees.

From Perceived HR to Employee Reactions: Moderation

In addition, going from the 'perceptions' of employees to their practical 'reactions', people will need to develop an internal strategy for their response soon after they have evaluated the information on HR practices (Nishii et al., 2008). This connection essentially addresses the idea of moderation[9]. This kind of variation can help us comprehend the phenomena we research on a much deeper level.

From Employee Reactions to Performance: Coordination

Finally, there is another shift from the individual to the organizational level of analysis in the relationship between employee emotions and unit performance. The degree of cooperation between them may determine whether behavioral differences have a favorable impact on organizational performance (2008). Indeed, individuals may behave differently because of how they perceive HR activities.

1.3. Conclusions

Given the extensive body of research on the beneficial aspects of diversity management, it is important to comprehend its unintended aspects as well, particularly if the presence of negative perceptions of employees leads to adverse organizational consequences. It is anticipated that by doing this, the organization will have a clearer understanding of the issue and be capable of implementing viable ideas to lessen its consequences.

[9] Theoretically, moderated relationships postulate that the degree to which a third variable—for example, individual differences—interferes with the effects of a first variable (in this case, the HRM system) on a second variable (for example, the employee reactions) fluctuates (Nishii et al., 2008)

2. CHAPTER 2: MODEL AND HYPOTHESES DEVELOPMENT

2.1. Background Information

Diversity practices do not always lead to the expected positive results (Von Bergen et al., 2002). For instance, the outcomes of some exploratory interviews[10] showed a negative relationship between intended and perceived diversity practices by employees. What was mentioned in these interviews by one of the respondents (n.d.) was:

"We cater for as many nationalities in the workplace and within teams as possible, but this sometimes causes employee dissatisfaction and even increased deliberate absence (..). Also, they prefer to work in teams with similar cultures and nationalities".

The aforementioned statement shows inconsistency in intended and perceived diversity practices. According to Basset-Jones (2005), this inconsistency leads to a paradoxical situation for organizations in which on the one hand, diversity can serve as a foundation for competitive advantage because it is a well-known source of creativity and innovation. On the other hand, diversity can also lead to miscommunication, distrust, and conflict in the workplace, which can affect productivity, morale, and competitiveness (2005). Therefore, organizations are faced with the paradoxical challenge of managing the benefits and drawbacks of employee diversity (Basset-Jones, 2005).

Moreover, as suggested by the statement above, whenever workers perceive company diversity practices negatively, this may create unfavorable effects for the company, which include absenteeism, dissatisfaction, and splits within teams. From a social categorization perspective (Brewer & Brown, 1998), it is expected that if individuals perceive themselves differently from the other members, they will categorize those as members of their out-group. While those individuals who perceive themselves as similar to one another, are likely to be identified as part of their in-group (Chattopadhyay, 1999), leading the out-group members to be considered less by the in-group (Brewer, 1979). Through the social categorization perspective, it is possible to understand the link between diversity management and its effects on the organization.

[10] A team of students including the author conducted a series of interviews with Italian and Dutch HR managers in November 2022. It was part of an undergraduate HRM and Performance course, the purpose of which was to confirm in practice what was learned in the theory of the course itself. One of the interesting things that came out of one of the interviews was the following.

A remarkable study concerning the latter aspect was carried out by Du et al. (2021), who shed light on the topic of resistance from teams towards diversity, which could negatively result in team fault-lines**.** Du and colleagues defined "*team fault-lines*" as hypothetical divisions within a team, dividing it into subgroups based on shared individual attributes like age, gender, ethnicity, education, or other underlying characteristics (2021). Hence, the more diversified the team is, the more likely the presence of fault-lines causes internal differentiation of team members, thereby negatively impacting team process and output (Lau and Murnighan, 1998a, 1998b). Moreover, not only do team fault-lines influence the team members and organizational level, but they also negatively impact individual performance (Du et al., 2021; Popli et al., 2016).

Specifically, the presence of strong team fault-lines may lead to significant problems related to the organizational performance. Indeed, when team cohesion is damaged, the commitment and loyalty of employees towards the organization will decrease (Chung et al., 2015). Once that happens, it is shown that the engagement of employees is affected (Schneider et al., 2017).

According to a review by Van De Voorde, Paauwe, & Van Veldhoven (2012), engagement is a key mediator between HR practices and organizational performance. Thus, if scarcely present, it can negatively affect organizational outcomes. For instance, the performance and satisfaction of team members may suffer when team fault-lines become more prevalent because of team members' resistance to diversity practices (Thatcher and Patel, 2012; Scholmerich et al., 2016).

Given the wide amount of research that concerns the positive aspects of diversity management, there is the urge to understand its negative side. In doing so, it is expected that the organization will have a better understanding of the issue and will be able to implement viable solutions to minimize its side effects.

2.1.1. The Model of Downey et al. (2015)

The present study starts from the model of Downey et al. (2015) (*Figure 3)*. In his work, a similar moderated mediation framework is introduced, whose immediate aim is understanding the direct relationship between diversity practices and engagement.

Their work starts from the idea that researchers have learned how diversity practices and climate affect employee job satisfaction, organizational commitment, and turnover intentions (Madera et al., 2017; Madera, Dawson, & Neal, 2013). Nevertheless, little empirical work has been entirely devoted to examining diversity practices and climate as organizational antecedents of employee work engagement (Downey, Werff, Thomas, & Plaut, 2015). That is another reason why Downey et al.'s work is particularly crucial for the current examination.

Furthermore, also Downey et al., (2015) employ *social exchange theory* (Blau, 1964; Cropanzano, Anthony, Daniels, & Hall, 2017) to explain the relationship between diversity-focused HR policies and job engagement.

Nevertheless, in stark contrast to the approach taken by Downey et al. (2015), the current study attempts to concentrate on the potentially detrimental consequences of diversity practices on employee engagement. To do so, the focus on perceptions of "inclusion" is replaced with the unexplored variable of "negative diversity perceptions" and the mediating role of "trust climate" is replaced with "team fault-lines".

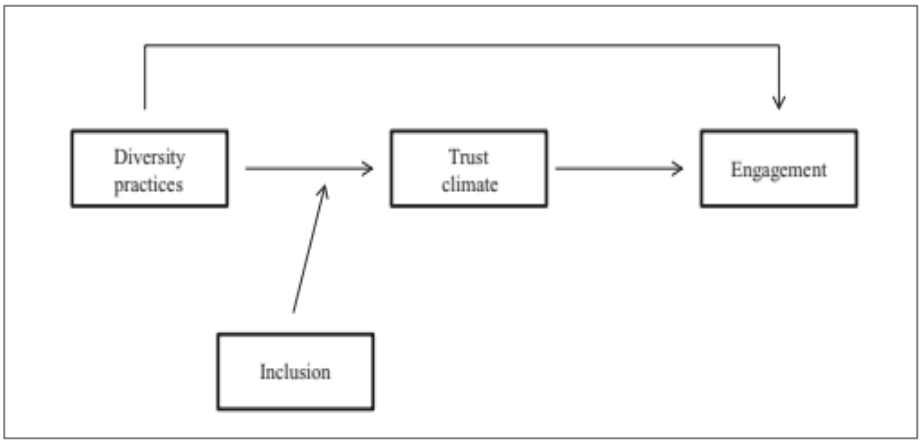

Figure 3. Moderated mediation model. Source: Downey, S.N., van der Werff, L., Thomas, K.M. Plaut, V.C. (2015), Diversity practices and engagement. Journal of Applied Social Psychology, 45, 35-44.

2.1.2. Aim of The Study

The principal aim of the study is to generate new scientific knowledge on the unintended negative effects of diversity, specifically looking at the effect of negative diversity perceptions on the relationship between diversity practices and employee engagement.

Concerning the extensive body of research on the beneficial aspects of diversity management, it is important to comprehend its unfavorable aspects as well, particularly if the prevalence of unfavorable perceptions leads to negative organizational consequences. It is anticipated that by performing this, the organization will gain a more thorough knowledge of the problem and be able to put up workable ideas to lessen its consequences.

Specifically, it is proposed that the relationship between diversity practices and team fault-lines will be strengthened in the presence of negative diversity perceptions. By doing so, it is predicted that

those who have a negative conception of the firm's diversity efforts will be less receptive to their potential benefits.

Moreover, it is suggested that team fault-lines, in turn, will offer a mechanism by which diversity practices will lessen an employee's sense of engagement in their work. In this context, it is expected that team fault-lines would mediate this correlation and that this mediation relationship would be stronger when workers hold negative perceptions of diversity in their job environment.

It will be achieved by answering the following research question:

"How do negative diversity perceptions of cross-cultural teams have an impact on employee engagement?"

2.2. The Proposed Model

2.2.1. Defining the Relationship between Diversity Practices and Employees' Engagement

One area of study that has not gotten much attention is how human resource (HR) measures affect fewer observable results like employee well-being (Gould-Williams, 2007).

Since the turn of the century, increased emphasis has been placed on what has come to be known as the *positive psychology movement* (Seligman & Csikszentmihalyi, 2000), that is, the scientific investigation of human strength and optimal functioning. This method is thought to enhance psychology's traditional focus on sickness, illness, disturbance, and dysfunction. The recent emphasis on optimal functional performance has piqued the interest of organizational psychologists, as evidenced by a recent call for *positive organizational behavior* (POB), defined as "…*the study of positively oriented human resource strengths and psychological capacities that can be measured, developed, and effectively managed for performance improvement in today's workplace" (*Luthans, 2002a, p. 59).

In this context, the prevention and treatment of harmful states like burnout and stress were the main topics of early research on employee well-being. In here, work engagement represents one of these good features, and it is seen as the antipode of burnout (Schaufeli et al., 2004). Indeed, while burned-out employees are worn out and harsh, engaged employees are energized and excited about their work (Schaufeli et al., 2004).

Moreover, according to academics and practitioners, the low level of employee engagement at work represents one of the most concerning global economic issues today (Motyka, 2018). Provided that

people feel a sense of accomplishment when they achieve predetermined goals, engagement is seen as an essential component of total workplace well-being (Downey et al., 2015).

Furthermore, several studies confirm engagement to be a key variable in understanding organizational dynamics. Specifically, it has been found positive relationships between employee engagement and organizational performance outcomes such as higher employee retention, productivity, profitability, customer loyalty and safety (Coffman, 2000; Hewitt Associates, 2004; Coffman and Gonzalez-Molina, 2002).

Employees represent one of a company's most important resources, regardless of the form of the firm (Motyka, 2018). At a time when rivalry for the greatest experts is sometimes more pronounced than competition for clients, having the capacity to effectively direct employee relationships can determine long-term market advantage (Motyka, 2018).

This said, organizations can boost their chances of acquiring and retaining valuable people by creating a welcoming, development-enabling environment that encourages worker engagement (Motyka, 2018).

2.2.2 The Concept of Employees' Engagement

It is believed that there are various terms in the scientific literature that describe work-related engagement. Such terms as "*employee engagement*," "*work engagement*," "*organization engagement*," and "*job engagement*". In the opinion of Schaufeli and Bakker (2010, p. 10), the first two "are typically used interchangeably" and are treated as such for the purposes of the present study[11].

According to Schaufeli, Martnez, Marques Pinto, Salanova, and Bakker (2002), engagement is a persistent affective-cognitive state that results in "*a positive, fulfilling, work-related state of mind that is characterized by vigor, dedication, and absorption. Rather than a momentary and specific state, engagement refers to a more persistent and pervasive affective-cognitive state that is not focused on any particular object, event, individual, or behavior"* (Schaufeli, et al., 2002, p. 74). Specifically,

[11] Numerous researchers, though, underline the need of distinguishing between the two types of engagement, as the state connected with a specific workstation and the state associated with attachment to the organization. The first of these notions is referred to as "job engagement" by Saks (2006, p. 604), and it is described as "*the extent to which an individual is psychologically present in his work role.*" "Organization engagement" is defined similarly as "*the extent to which an individual is psychologically present in a role as a member of an organization*." From the perspective of the employer, it is critical to assess engagement levels in both dimensions. As noted by Farndale et al. (2014), this enables for the correlation of measurement results to role-specific engagement outcomes, which might vary at the organizational and job levels.

vigor is related to being mentally resilient and highly energetic, dedication to being highly immersed in work, and absorption to being highly concentrated in work[12].

As argued by Macey and Schneider (2008), engaged employees are more inclined to find meaning in their work, feeling psychologically "worthy", thus being less inclined to changing jobs on a regular basis (Chandani et al., 2016). Using Kahn's (1990) words: *"We believe that people are engaged when we see them working hard, putting in effort, staying involved. They truly show up for work. They remain focused on what they are doing. They strive to move their work ahead*" (Kahn, 2010, p. 21).

2.2.3. The "Why" Of Employees' Engagement

The well-being literature, using *social exchange theory* (SET) (Blau, 1964), has proposed that engagement can operate as a manner of repaying one's organization in exchange for career and social-related guidance received (Cropanzano & Mitchell, 2005; Maslach, Schaufeli, & Leiter, 2001). According to SET, relationships change through time and lead to mutually beneficial, trusting, and loyal partnerships (Cropanzano & Mitchell, 2005). As a result, when a firm goes out of its way to provide resources and support to its employees, the employees will repay the company by fully engaging in their professional roles. Indeed, this has already been demonstrated in research where perceived fairness, social support, rewards and recognition, workload, and organizational ideals have been identified as antecedents of engagement (Maslach et al., 2001).

Moreover, in line with SET, diversity policies can demonstrate to employees that their employers care about their well-being and value their distinctive differences (Blau, 1964). Employees, in turn, show their appreciation by becoming more engaged (Blau, 1964).

The present research will use *social exchange theory* (SET) (Blau, 1964) to suggest that investing in diversity-oriented HR practices will result in positive work attitudes and behavior (Ashikali & Groeneveld, 2015; Downey et al., 2015). Given that diversity-oriented HR policies signal equitable and welcoming treatment of all social groups in the workplace (Jehn & Bezrukova, 2004), employees will regard such practices as helpful to them and will create social exchange relationships with the organization as a result. To preserve this social exchange connection, employees are inclined to reciprocate in positive ways, such as establishing and expressing favorable impressions of diversity policies as well as engaging actively in their work responsibilities (Li & Frenkel, 2017).

[12] See Chapter 3 for a more in-depth discussion of these three features.

2.2.4. Data on Employees' Engagement

In an era where the competition for top talents can be fiercer than that for clients, the ability to skillfully manage employee relationships holds the key to securing a lasting competitive advantage (Motyka, 2018).

Multiple findings indicate a global low level of employee engagement. In accordance with the Gallup Institute, just 15% of workers worldwide are totally involved in their work, while the other 85% are either not engaged or deeply disengaged (Gallup, 2017). The main contributor to the developing "disengagement crisis" is a lack of support for staff members in attaining what they consider to be significant achievements (Forbes, 2014). The academic community recognizes the issue of poor employee engagement and its detrimental influence on company success. According to Amabile (2014), low employee engagement results in decreased corporate revenues and worsening profitability indexes.

Furthermore, the study conducted by Sarraf et al. (2017) demonstrates that there are considerable differences in the level of engagement among workers between generations, as well as that individual engagement constructs might differ depending on the age of the worker. Perhaps, the causes of job engagement of today's 30-year-old employees diverge greatly from the antecedents that developed engagement in their parents' generation (2017).

Therefore, good employee engagement management may not only boost employee engagement across any age range but also lessen the common insufficient shared comprehension between generations in their attitude to work as well as the standards of employers (Motyka, 2018).

2.2.5. Literature on the relationship between Diversity Practices and Employees' Engagement

Diversity initiatives within a company serve as a reflection of that company's attention to supporting workers from various backgrounds. Several studies already showed that diversity practices have both positive and negative effects on organizational outcomes, that is the reason why this relationship is not the main focus of the present study[13].

For instance, the findings of Downey et al. (2015) showed that an organization's diversity practices are directly correlated with their employee engagement, stating that *''employees' well-being is improved rather than impaired by perceptions of diversity practices.''* (Downey et al., 2015, p. 40).

[13] See Chapter 1 for a detailed literature review.

On the other hand, a diverse workforce does not always bring higher success for the organization. As argued by Von Bergen et al. (2002), diversity management can cause the "Pygmalion effect", that is, the idea that we live up according to the expectations that others have of us. For instance, when women believe they have been hired or promoted based on gender, rather than abilities, tend to discredit themselves as well as other women in the organization. Additionally, diversity management could be perceived as "reverse discrimination" of a previously privileged group, even when the mentioned group had never benefited from previous discrimination (von Bergen et al., 2002).

In the context of investigating the less-explored aspects of diversity management, this study presents the hypothesis (*H1*) that diversity practices exert a direct influence on employee engagement. While the prevailing discourse often emphasizes the positive impact of diversity initiatives on organizations, this research seeks to shed light on the potentially adverse consequences of these practices on critical organizational outcomes, specifically, employee engagement.

H1: Diversity practices have a direct effect on employee engagement.

2.2.6. The Moderating Role of Negative Diversity Perceptions

Owing to the fact that people from diverse cultural origins have varied perspectives, ideas, and insights, Cox and Blake (1991) hypothesized that cultural diversity may be associated with a wide range of individual, team, and organizational-level outcomes.

The "perceptions of diversity", according to Mor Barak et al. (1998), are made up of personal and organizational dimensions. The former represents the *"individual's view and prejudices towards people who are different which can affect attitudes and behaviors towards others in the organization"* (1998, p 85). The latter affects *"management policies and procedures specifically affecting minorities and women, such as discrimination and preferential treatment in hiring and promotion procedures"* (1998, p. 85). Notwithstanding, the name itself, "diversity management'' and its corresponding practices confirm the presence of diversity among employees. As argued, diversity perceptions are *"the extent to which members perceive themselves as being similar to the others"* (Huang & Iun, 2006).

In addition, definitions of perceived diversity can also vary considering to what extent they distinguish the differences of perceived presence (e.g., "the degree to which members view themselves as having few differences"; Zellmer-Bruhn et al., 2008). Negative perceptions of diversity have been linked to unfavorable individual and social consequences, including decreased work satisfaction and organizational commitment (Jackson et al. 2003). Similarly, it has been shown that

an increase in interpersonal conflict escalates rivalry between various groups in the company (Kochan et al. 2003). Additionally, negative perceptions of diversity have been associated with detrimental organizational outcomes such as greater turnover rates, higher absenteeism rates and, consequently, higher training costs (Carrell et al. 2006; Tsui et al. 1992).

Diversity practices can be perceived at an individual level positively, resulting in emotional and achievement outcomes for people working in a multicultural context (Kadam et al., 2020). It has been demonstrated that positive diversity perceptions result in better social interactions (Moon, 2018), higher business productivity (Gonzalez and Denisi, 2009), better group performance and satisfaction (Lauring and Selmer, 2011) and favorable career attitudes (Hicks-Clarke, 2000). Moreover, openness to diversity is substantially associated with team performance (Homan et al., 2007; Lauring and Villesèche, 2019).

Considering these contrasting outcomes and diversity perceptions as an antecedent for team fault-lines (Du et al., 2021), it is presented the next hypothesis:

H4: Negative diversity perceptions moderate the direct relationship between diversity practices and employee engagement through team fault-lines.

2.3. Conceptual Model

Based on the reviewed literature, a conceptual framework was created to visualize the foremost critical aspects that influence employee engagement (*Figure 4*).

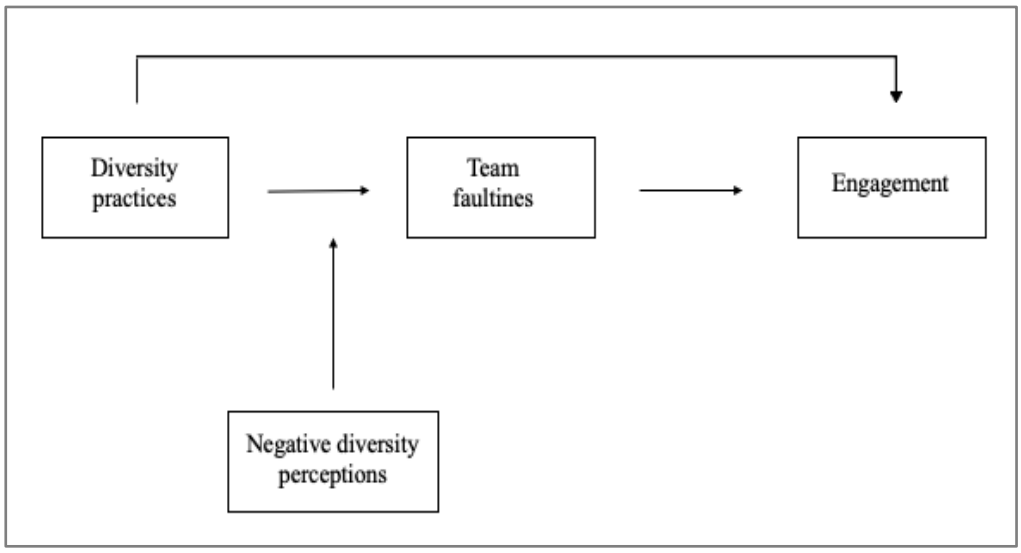

Figure 4. Proposed moderated mediation model.

The foundational basis for the current study's conceptual framework draws upon the work of Downey et al. (2015) (*Figure 3*). This framework specifically suggests that negative perceptions of diversity act as a moderator in the connection between diversity practices and engagement, with team fault-lines serving as a mediating variable (*Figure 4*).

2.3.1. Relevance

As mentioned in the previous chapter, scientific literature studied the various negative effects of diversity management on organizational outcomes. For instance, it has been shown its negative impact on team cohesion, which negatively impacts teams' satisfaction and job performance (Thatcher and Patel, 2012; Scholmerich et al., 2016). Du et al. (2021) mentioned the importance of individual outcomes from team fault-lines and suggested studying relevant cross-cultural characteristics that influence the mechanism of cross-cultural team fault-lines. Also, other studies mention the limited literature on how team fault-lines might influence individual-level outcomes such as employee engagement (Chung et al., 2015; Du et al, 2021; Jehn and Bezrukova, 2010). Therefore, this study contributes to the literature by providing support for the outcomes of diversity practices at an individual level.

Previous research has found employee engagement to be associated with multiple positive outcomes, including workplace innovation, job satisfaction, extra-role performance and satisfaction (e.g. Harter et al., 2002; Demerouti et al., 2015). Drach-Zahavy and Somech (2001) refer to limited research on mechanisms required for cross-cultural teams and encourage scholars to focus on studying the hindering factors withholding the transformation of heterogeneity into performance. Downey et al. (2015) introduce a model in which diversity practices are linked to a climate of trust strengthened in the presence of high employee perceptions of inclusion.

Hence, while Downey et al. (2015) focus on the positive employee perceptions of diversity resulting in employee engagement, this study is introducing negative diversity perceptions as a moderating variable on a model characterized by diversity practices, team fault-lines and employee engagement.

To challenge the detrimental consequences of diversity on employee engagement, it is essential to address the perceptions of employees. Instead of depending just on management reports, this study measures employees' opinions of HR practices in line with process models of HR management (e.g.,

Nishii & Wright, 2008). This is in accordance with the idea that there can be a discrepancy between management's intended HR practices and what employees actually perceive and experience.

From the practical perspective, given the rapidly increasing cultural diversity of the workforce, managing diversity is a top concern for enterprises all over the world (Tynes, 2022). Specifically, employee engagement is one of the most influential variables regarding human organizational attributes on which companies have to focus in order to be competitive (Albrecht et al., 2015; Barrick et al., 2015; Salanova et al., 2005).

All in all, the rationale that needs to be tested is that individual differences and perceptions lead to fault-lines in teams which might cause negative organizational and individual consequences, such as a decrease in workers' engagement. The findings of the present study contribute to mitigating these consequences.

3. CHAPTER 3: THE STUDY

3.1. Participants and Procedures

The survey was distributed mostly via LinkedIn, but a great contribution was also made by the exploitation of other social network platforms such as Instagram and Facebook. The target was working people, starting from internship positions. The total amount of respondents was 291 employees (N=291), with an average age of 32,5 years, an equal distribution between men (48%) and women (52%) and a level of education of master's degree (42%), followed by bachelor's Degree (27%) (see Table 1).

Another selection criterion, only used for the objective "diversity practices" measure, was to filter from the respondents only those employed in companies listed in the Eikon and Refinitiv Diversity and Inclusion (ESG) Index. The sample of this analysis comprised a sub-group of the collected sample, amounting to 88 respondents (N=88) (see Table 1). By analyzing the descriptive statistics, it can be noticed an almost even distribution between men (46) and women (42). Moreover, there is a dominant high level of education of master's degree, (49%), followed by bachelor's degree (27%) (see Table 1).

The survey was developed based on a review of the existing literature. The items used for diversity practices, engagement, diversity perceptions and team fault-lines were measured using 7-point Likert-type scales, ranging from 1, corresponding to "Strongly Disagree" to 7, corresponding to "Strongly Agree". This was employed for the first three variables, while "team fault-lines" were assessed using a reversed 7-point Likert-type scale following the original version developed by Schaufeli et al. (2006), thus ranging from 1, "Strongly Agree" to 7, "Strongly Disagree".

All analyses were conducted using SPSS Statistics (IBM Corp, 2020). Furthermore, to run the moderated mediation model, the package PROCESS for SPSS (Hayes, 2015; Hayes & Preacher, 2014; IBM SPSS, 2020) was employed.

The statistical analysis consisted of a series of exploratory Pearson's correlations. Further, two moderated mediations – namely, model 7 of the PROCESS package – were run to test the statistical significance of the hypothesized model. Additionally, the age, gender and education of respondents were employed as a covariate in all the analyses.

Table 1: Demographic variables of the study

	Subjective Diversity Practices		ESG Index	
Measures	**N**	**%**	**N**	**%**
Men	139	48%	46	52%
Women	152	52%	42	48%
Total (N)	291	100%	88	100%
High-School Diploma	43	15%	9	10%
Bachelor's Degree	79	27%	24	27%
Master's Degree	123	42%	43	49%
Post-graduate master	39	13%	12	14%
PhD	7	2%	0	0%
Total (N)	291	100%	88	100%
Mean age	32,5292		32,589	

3.2. Measures

3.2.1. Diversity Practices

This variable is evaluated using two methods: a subjective and an objective measure.

To begin, the subjective measure is constructed by employing Mor Barak et al.'s (1998) nine-item "Organizational Dimension" subscale, which specifically looks for management policies and procedures affecting minorities and women, such as discrimination or preferential treatment in hiring and promotion procedures. As a result, the scale is divided into two parts: "Organizational Fairness Factors" and "Organizational Inclusion Factors."

The former tries to underpin strategies that may alter justice in the treatment of various groups in organizations, resource allocation, and access to power (Mor Barak et al., 1998). Sample items are "*managers here give feedback and evaluate employees fairly, regardless of the employees' ethnicity, gender, age or social background"* and "*Managers here have track record of hiring and promoting employees objectively, regardless of their race, sex, religion or age".*

The latter is aimed at understanding the organization's commitment to including varied personnel. Items such as "*The company spends enough money and time on diversity awareness and related training"* and *"Management here encourages the formation of employee network support groups"* are examples.

Diversity practices, on the other hand, have been objectively examined using the Eikon and Refinitiv Diversity and Inclusion Index. It rates over 12,000 organizations worldwide and determines the top 100 publicly traded companies with the most varied and welcoming workplaces, as evaluated by 24 distinct measures across four main pillars (Diversity, Inclusion, People Development, and News Controversy). It is based on the concept that organizations that track, report, and achieve metrics of diversity, inclusion, and people development would outperform those that achieve lower scores or neglect to monitor these indicators over time. Only companies with scores in all four pillars receive an overall score (the arithmetic mean of the pillar ratings). The index includes the top 100 ranked organizations with the best total rating on a scale of 100 (best in class) to 0 (worst in class). The index is a market capitalization-weighted index.

This distinction stems from the dual presence in the literature of both the well-established objective concept of diversity and the subjective (perceived) concept of diversity[14]. Indeed, the use of the ESG Index allows for the precise assessment of well-known measures of diversity. Conversely, the subjective perspective on diversity seeks to consider whether implemented practices are genuinely positively perceived and embraced by employees. This approach has the potential to reveal aspects that might be challenging to capture through objective measurements alone.

3.2.2. Team Fault-lines

This variable was measured by implementing the six-item scale developed by Maltarich et al. (2021) for testing their *"*individual perceived fault-lines" variable. The primary goal of this inquiry is to estimate how individuals within a work team perceive their respective subgroups.

In the construction of this scale, perceptions of team fault-lines are tapped by asking about the existence of subgroups generally (e.g., "*I perceive my team as being split up into subgroups of team members*"), the distinction between in-subgroup and the out-subgroup (e.g., *"in my team, I am part of a subgroup of people who I feel are very similar to me"*), and patterns of interpersonal interaction within and between subgroups (e.g., "*in my team, there is a subgroup of people with whom I communicate more frequently than with other team members outside of my subgroup").*

[14] See Chapter 1 for a complete explanation of the concepts

3.2.3. Diversity Perceptions

The six-item “Personal Dimensions” subscale developed by Mor Barak et al. (1998) has been used for accounting diversity perceptions on a subjective level. It measures the extent to which team members value diversity on a personal level within the team. It is divided into “Personal Diversity Value” and “Personal Comfort Factor”. One sample item of “Personal Diversity Value” is: *“knowing more about cultural norms of diverse groups would help be more effective in my job”,* while one sample item of “Personal Comfort Factor” is *“I am afraid to disagree with members of other groups for fear of being called prejudiced“.*

The essence of this variable is that the organizational atmosphere is typically more welcoming of diversity the more favorable the perceptions of these qualities are (i.e., less discriminatory personal attitudes) (Cox, 1991).

3.2.4. Engagement

In 82% of the reviewed publications, various iterations of the Utrecht Work Engagement Scale (UWES), developed by Schaufeli and Bakker of Utrecht University, were used for evaluating engagement (Schaufeli et al., 2002). The engagement has been measured using the "9-item Utrecht Work Engagement Scale" (UWES-9), developed by Schaufeli et al. (2006) and found to be the most popular iteration of the original scale (Motyka, 2018). It is a nine-item self-report scale that considers a number of responses regarding how workers feel at work. It consists of three subscales, vigor (VI), dedication (DE), and absorption (AB), each with three items.

High levels of energy and resilience, the willingness to put forth effort, resistance to simply becoming exhausted, and tenacity in the face of challenges are all examples of vigor. When working, people who score highly on vigor typically have a lot of energy, zest, and stamina, and it is the opposite for those scoring low.

Items that discuss having a sense of significance from one's work, being enthusiastic and proud of one's work, and feeling motivated and pushed by it are used to measure dedication. Additionally, those with high levels of dedication strongly identify with their jobs because they find them to be fulfilling, motivating, and difficult. Also, they frequently feel inspired and proud of their job. Low scorers struggle to identify with their work because they do not find it to be fulfilling, motivating, or difficult. They also lack enthusiasm and pride for their work.

Finally, absorption is defined by three criteria: complete and joyful immersion in one's work; difficulty distancing oneself from it and speedy passing of time; and forgetting about anything else

around. People who perform well on the absorption scale report that they are frequently enthusiastically absorbed in their job, feel immersed by it and find it difficult to disengage from it because it consumes them. As a result, everything else in the area is forgotten, and time passes quickly. Low-absorption individuals do not feel captivated or involved in their work, do not struggle to separate from it, and do not lose track of time or anything else around them.
Sample items of vigor, dedication and absorption are, respectively "*At my work, I feel bursting with energy", "I am enthusiastic about my job", "I feel happy when I am working intensely".*

3.3. Results

3.3.1. Correlation

In the first stage of the analysis, the correlation between employee engagement, negative diversity perceptions, diversity practices and team fault-lines have been examined. Its main aim is to comprehend the strength and direction of the relationship among variables, even though it does not provide information about cause and effect.
Res
ults show the outcome of correlation analysis, both considering the ESG Index and not considering it *(Table 2).*
Regarding engagement, the results indicate a negative correlation with negative diversity perceptions ($r = -0.27$, $p = 0.00$), demonstrating that a greater sense of engagement towards the respondents' own job relates to a more positive perception of diversity. Contrarily, engagement showed to be positively correlated to the subjective measure of diversity practices ($r = 0.47$, $p = 0.00$), pointing out that workers conceiving their working environment to be inclusive and diverse have a higher propensity to be committed in their tasks.
Moreover, there is a negative association between negative diversity perceptions and the subjective diversity practices variable ($r = -0.15$, $p = 0.01$), indicating that the more the workers feel protected by business practices that reduce diversity biases and encourage inclusion, the less negatively they will view the diversity of the working environment.
Lastly, the team fault-lines variable displayed only one significant negative correlation ($r = -0.12$, $p = 0.04$) to diversity practices, proposing that a considerable tendency of workers to split into subgroups is associated with a lower sentiment of diversity practices put into place.

Regarding the objective measure of D&I (ESG Index), despite none of the correlations being statistically significant, some of them displayed marginally significant p-values (i.e., $p < 0.10$).
In this regard, the ESG Index is on its way to being negatively correlated to engagement ($r = -0.19$, $p=0.08$) and positively associated with negative diversity perceptions ($r = 0.19$, $p=0.07$), which is the opposite result from what the subjective measure of diversity predicted. In this case, a higher level of statistically proven D&I practices implemented by the company (as measured by the ESG Index) leads to a lower engagement of employees. Moreover, the higher the ESG Index score is, the higher appears to be the negative perceptions of diversity held by employees.

Table 2: Means and Standard Deviation of the variables of interest and their Pearson's

	Mean	**Standard Deviation**		**1**	**2**	**3**	**4**	**5**	**6**
1. Engagement	43.93	9.65	r	-					
			p	-					
2. Diversity perception	31.79	3.73	r	0.27					
			p	0.00					
3. Negative Perception	24.21	3.73	r	-0.27	-1.00				
			p	0.00	0.00				
4. Subjective Diversity Practices	28.42	7.30	r	0.47	0.15	-0.15			
			p	0.00	0.01	0.01			
5. Team Fault-lines	27.57	7.40	r	-0.06	0.07	-0.07	-0.12		
			p	0.34	0.24	0.24	0.04		
6. ESG index	72.77	15.94	r	-0.19	-0.19	0.19	-0.05	0.03	-
			p	0.08	0.07	0.07	0.62	0.77	-

3.3.2. Moderated Mediation analysis: Subjective Diversity Practices Measure

In order to test the statistical significance of the hypothesized model, moderation and mediation analyses were then carried out in an effort to better define the relationship between diversity practices, engagement, team fault-lines, and negative perceptions of diversity. To do so, a moderated mediation analysis was conducted, posing diversity practices as the independent variable (X), engagement as the dependent variable (Y), team fault-lines as the mediator (M) and negative diversity perceptions as the moderator (W). In this context, the subjective measure of diversity practices was employed to

analyze the model. Furthermore, the model was also run by including age, gender, and education as covariates.

As a first step, the model computes the moderation effect of the negative diversity perceptions in the relationship between diversity practices and team fault-lines. The model is globally significant ($R = 0.21$, $R^2 = 0.04$, $F = 2.22$, $p = 0.04$) (see *Table 3)*. Specifically, the main impact of diversity practices on team fault-lines was significant ($\beta = -0.14$, $t = -2.26$, $p = 0.02$, LLCI = -0.25, ULCI = -0.02) (see *Table 3)*. Hence, diversity practices result to have a significant negative impact on team fault-lines. Furthermore, the effect of negative perceptions showed no statistical significance ($\beta = -0.08$, $p = 0.21$) (see *Table 3)*. The interaction effect between diversity practices and team fault-lines ($p = 0.19$), signaling that there is no strong evidence to support the idea that the joint influence of diversity practices and negative perceptions significantly impacts the outcome variable (team fault-lines), thus potentially rejecting the hypothesis.

Table 3: Moderation effect of Negative Perception on the relationship between Diversity practices and Teams' Fault-lines.

Significance of the Model						
R	**R^2**	**MSE**	**F**	**df1**	**df2**	**p**
0.21	0.0449	0.98	2.22	6.00	284.00	0.04
Moderation effect of Negative Perception on Teams' Fault-lines						
	β	**SE**	**t**	**p**	**LLCI**	**ULCI**
Diversity Practices	-0.14	0.06	-2.26	0.02	-0.25	-0.02
Negative Perception	-0.08	0.06	-1.26	0.21	-0.20	0.04
Diversity Practices by Negative Perceptions	-0.07	0.06	-1.33	0.19	-0.18	0.04
Age	0.00	0.01	0.71	0.48	-0.01	0.01
Gender	0.22	0.12	1.85	0.06	-0.01	0.46
Education	0.06	0.06	0.99	0.32	-0.06	0.18
Conditional effects of the focal predictor at values of the moderator						
	Negative Perceptions	**β**	**SE**	**p**	**LLCI**	**ULCI**
Low	-1.13	-0,05	0,08	0,52	-0,21	0,11
Medium	-0.06	-0,13	0,06	0,03	-0,25	-0,01

High	1.02	-0,21	0,09	0,02	-0,38	-0,04

However, by looking at the post-hoc comparisons based on the conditional effects of the focal predictor at values or the moderator (see *Table 3*), statistically significant effects at “medium” (β = -0.13, t = -2.20, p= 0.03, LLCI = -0,25, ULCI = -0.01) and “high” (β = -0.21, t = -2.38, p= 0.02, LLCI = -0,38, ULCI = -0.04) levels of negative diversity perceptions were observed. In contrast, the "low" level is not statistically significant (p = 0.52) (see *Figure 5B; Table 3*). Moreover, the direction of the impact of diversity practices on team fault-lines is negative at all levels of negative perceptions. This means that as the subjective assessment of diversity practices increases, team fault-lines tend to decrease. In summary, the analysis suggests that the moderating effect of negative perceptions has a significant impact on team fault-lines, but the magnitude of this negative impact varies depending on the level of negative perceptions.

Finally, regarding the covariates (gender, education, age), none of them show statistically significant effects on team fault-lines (all p > 0.05). Only gender approaches statistical significance (p = 0.06) but does not reach the conventional threshold, indicating that there is a potential trend for it to have an effect.

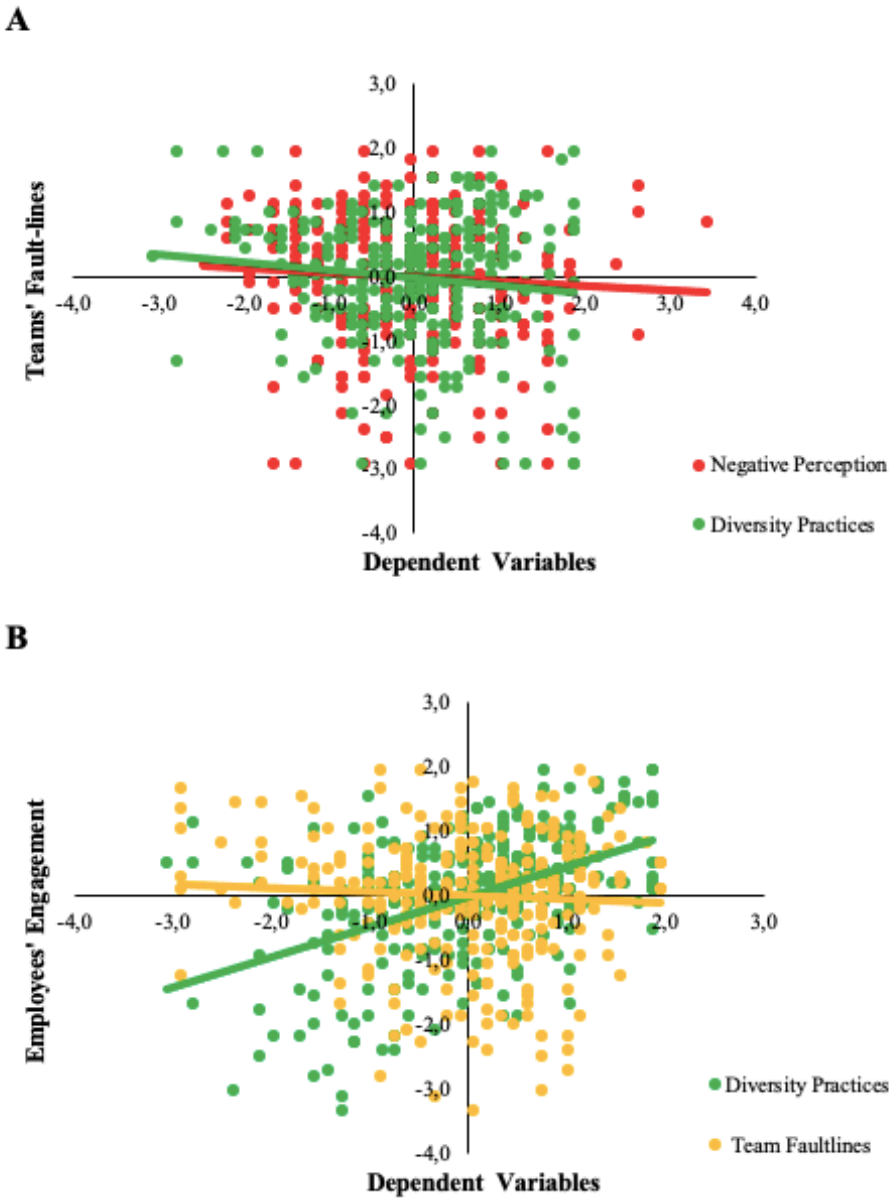

Figure 5. Moderating model and results

The mediation effect included in model 7, was also aimed at testing whether team fault-lines mediate the direct relationship between diversity practices and employee engagement.

The model showed general significance ($R = 0.48$, $R^2 = 0.23$, $F = 16.67$, $p = 0.00$; *Table 4*).

Table 4. Mediation effect of Teams' Fault-lines in the relationship between Diversity Practices and Employees' Engagement

Significance of the Model						
R	**R^2**	**MSE**	**F**	**df1**	**df2**	**p**
0.48	0.23	0.79	16.67	5.00	285.00	0.00
Direct Effects on Employees' Engagement						
	β	**SE**	**t**	**p**	**LLCI**	**ULCI**
Diversity Practices	0.47	0.05	8.92	0.00	0.37	0.57
Teams' Fault-lines	-0.01	0.05	-0.25	0.80	-0.12	0.09
Age	0.01	0.00	1.34	0.18	0.00	0.01
Gender	0.09	0.11	0.87	0.39	-0.12	0.30
Education	0.05	0.05	0.85	0.40	-0.06	0.15
Indirect Effect of Diversity Practices on Employees' Engagement by Teams' Fault-lines						
	Negative Perceptions	**β**	**SE**	**LLCI**	**ULCI**	
Low	-1.13	0.00	0.01	-0.01	0.01	
Medium	-0.06	0.00	0.01	-0.02	0.02	
High	1.02	0.00	0.01	-0.02	0.03	

The only statistically significant variable appears to be diversity practices (β = 0.47, t = 8.92, p = 0.00), while the others were not statistically significant. Precisely, it was confirmed the direct effect of diversity practices on engagement (p = 0.00), suggesting that diversity practices have a positive and significant direct impact on employee engagement, thus accepting H1 as shown in the literature (see *Figure 6, Table 4*).

Nevertheless, the indirect effect of team fault-lines as a mediator of the relationship between diversity practices and engagement was not confirmed by the analysis (p = 0.80; see *Figure 6, Table 4*). Henceforth, team fault-lines do not appear to mediate the relationship between diversity practices and employee engagement in this specific analysis.

Furthermore, the analysis found that none of the control variables considered in the study, namely age, gender, and education, exhibited a statistically noteworthy impact on employee engagement (respectively, p = 0.18, p = 0.39, p = 0.40).

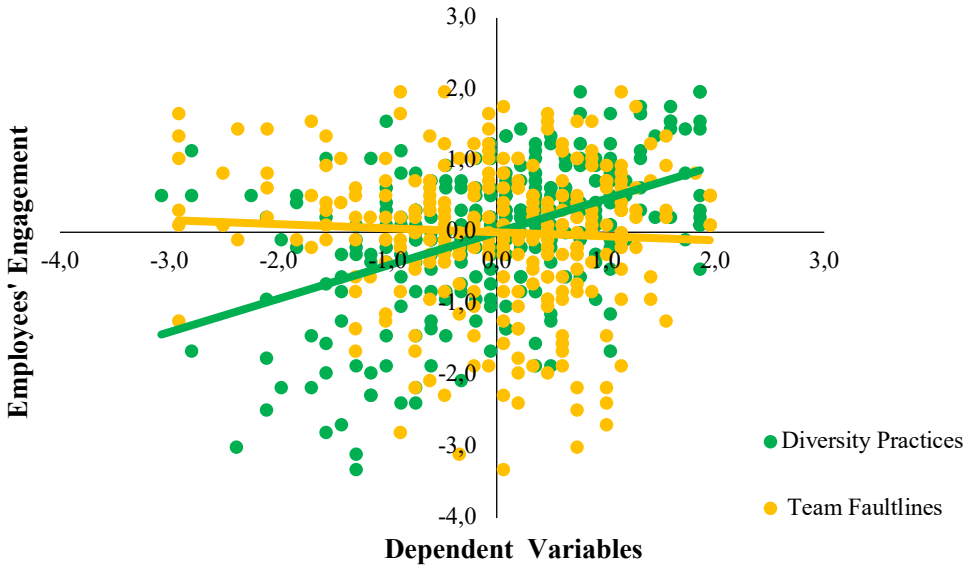

Figure 6. Mediating model and results: Subjective measure

3.3.3. Moderated Mediation analysis: ESG Index

In a second step, an additional moderated mediation analysis was conducted, posing the ESG Index as the independent variable (X), engagement as the dependent variable (Y), team fault-lines as the mediator (M) and negative diversity perceptions as the moderator (W). The main difference with the previous model stems from the use of the variable ESG Index, instead of Diversity practices, which accounts for an objective measure of diversity at the company level. Furthermore, the model was also run by including age, gender, and education as covariates.

Distinct are the results when computing diversity practices using the ESG Index. Concerning the moderation analysis, no significance stems from the whole model ($p = 0.63$), meaning that the variables included in the model do not have a strong influence on team fault-lines (*Table 5*).

Table 5: Moderation effect of Negative Perception of the relationship between ESG Index and Teams' Fault-lines.

Significance of the Model						
R	**R^2**	**MSE**	**F**	**df1**	**df2**	**p**
0.23	0.05	1.05	0.73	6.00	81.00	0.63
Moderation effect of Negative Perception on Teams' Fault-lines						
	β	**SE**	**t**	**p**	**LLCI**	**ULCI**
EGS Index	0.11	0.12	0.95	0.35	-0.12	0.34
Negative Perceptions	-0.04	0.11	-0.38	0.70	-0.27	0.18
ESG Index by Negative Perceptions	0.16	0.11	1.42	0.16	-0.07	0.39
Age	0.02	0.01	1.37	0.17	-0.01	0.04
Gender	0.23	0.25	0.94	0.35	-0.26	0.73
Edu	0.03	0.14	0.20	0.85	-0.25	0.30

The effect of objective diversity practices on team fault-lines was not statistically significant (p = 0.35), implying that there is no clear evidence that objective diversity practices impact team fault-lines, leading to the rejection of H2 (*Figure 7A, Table 5)*.

Also, negative perceptions do not have a statistically significant impact on team fault-lines (p = 0.70), *(*see *Figure 7A, Table 5)*.

Moreover, the interaction effect between objective diversity practices and negative perceptions is positive (β = 0.16), suggesting that the interaction between these variables has a positive impact on team fault-lines. This implies that in the presence of higher negative diversity perceptions, diversity practices may have a more pronounced effect on team fault-lines. Nevertheless, its p-value is greater than the threshold (p = 0.16) and it indicates that the observed effect is not statistically meaningful and could be due to random variability in the data.

Also, in examining the conditional effects of objective diversity practices on team fault-lines based on different levels of negative perceptions, it can be noticed that none of the conditional effects observed are statistically significant (respectively, p = 0.65, p = 0.25, p = 0.13). Nonetheless, it can be observed a different direction with respect to the moderation with the subjective measure. Indeed,

while at low negative perceptions the line slopes downward, at medium and high negative perceptions of diversity, objective diversity practices are associated with higher team fault-lines (see *Figure 7B, Table 5)*. In conclusion, H3 should be rejected.

Finally, considering the effect of the covariates age, gender, and education, none appeared to significantly influence team fault-lines in this model (respectively, p = 0.17, p = 0.35, p = 0.85).

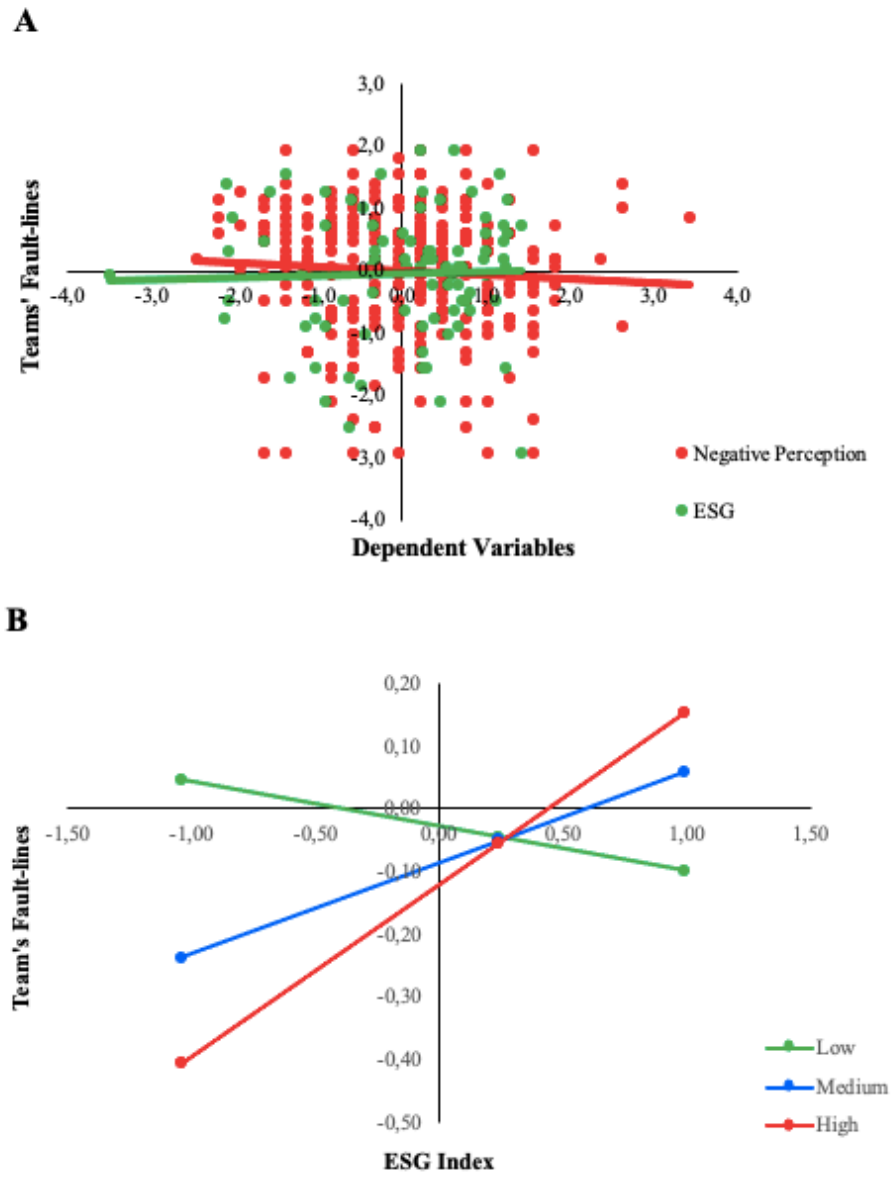

Figure 7. Moderating model results: Objective Measure

However, the mediation model showed partial significance ($R = 0.34$, $R^2 = 0.12$, $F = 2.15$, $p = 0.07$) with an associated p-value of 0.07, which although greater than the typical significance threshold of 0.05, can be regarded as a meaningful trend (*Table 6*).

Table 6: Mediation effect of Teams' Fault-lines in the relationship between Diversity Practices and Employees' Engagement

Significance of the Model						
R	**R^2**	**MSE**	**F**	**df1**	**df2**	**p**
0.34	0.12	1.18	2.15	5.00	82.00	0.07
Direct Effects on Employees' Engagement						
	β	**SE**	**t**	**p**	**LLCI**	**ULCI**
ESG Index	-0.24	0.12	-1.97	0.05	-0.48	0.00
Teams' Fault-lines	-0.05	0.12	-0.44	0.66	-0.28	0.18
Age	-0.01	0.01	-1.04	0.30	-0.04	0.01
Gender	0.22	0.25	0.88	0.38	-0.28	0.72
Edu	0.33	0.14	2.31	0.02	0.05	0.62
Indirect Effect of ESG Index on Employees' Engagement by Teams' Fault-lines						
	Negative Perception	**β**	**SE**	**LLCI**	**ULCI**	
Low	-1.13	0.00	0.02	-0.05	0.05	
Medium	0.21	-0.01	0.02	-0.05	0.05	
High	1.02	-0.01	0.04	-0.08	0.09	

In particular, diversity practices are weakly significant ($\beta = -0\text{-}24$, $t = -1.97$, $p = 0.05$). As in the case of the subjective measure of diversity, the direct effect of diversity practices on employee engagement is confirmed by the analysis (*Figure 8, Table 6*).

Education results to be the only statistically significant covariate ($\beta = 0.33$, $t = 2.31$, $p = 0.02$) and its positive coefficient ($\beta = 0.33$) suggests that it has a positive impact on employee engagement.

However, the results show that team fault-lines do not have a significant direct effect on employee engagement in this analysis, as indicated by the high p-value ($p = 0.66$).

Furthermore, this analysis suggests that diversity practices have a statistically significant negative effect on employee engagement, but this effect does not appear to be mediated by team fault-lines (*Table 6*). Thus, H4 is rejected.

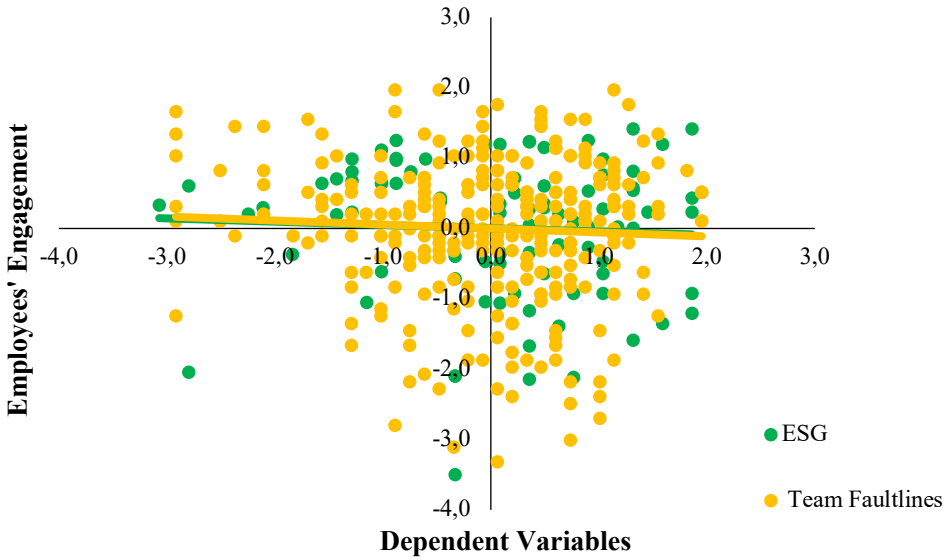

Figure 8. Mediating model scatterplot

3.4. Discussion

From the moderated mediation analysis conducted, several interesting facts emerged.

First of all, it has been run the model using the subjective diversity practices measure. The overall model was statistically significant, revealing that diversity practices had a substantial negative impact on team fault-lines. Indeed, higher diversity practices were associated with reduced team fault-lines. This result confirms H2, that is, diversity practices are inversely related to team fault-lines, suggesting that organizations that implement better diversity practices tend to have lower levels of tension within their teams.

On the other hand, the effect of negative perceptions on team fault-lines was not found statistically significant in the analysis. Concerning the moderation played by negative diversity perceptions, the interaction between diversity practices and team fault-lines did not demonstrate statistical significance ($p = 0.19$), but only a mild trend. This indicates that there is not strong evidence to confirm that the joint impact of diversity practices and negative perceptions has a significant effect on team fault-lines. This could potentially lead to the rejection of the initial hypothesis. Nonetheless, conducting post-hoc comparisons uncovered an interesting pattern: the effect of diversity practices on team fault-lines depends on the level of negative diversity perceptions. Specifically, when negative perceptions reach moderate or high levels, the influence of diversity practices on team fault-lines becomes statistically significant. It means that at the medium and high levels of negative perceptions, diversity practices have a more substantial negative impact on reducing team fault-lines, which can be seen as a positive outcome. This finding is particularly significant as it supports H4, which posited

that negative diversity perceptions play a moderating role in the direct connection between diversity practices and employee engagement through team fault-lines. It highlights the importance for organizations to tackle and alleviate negative diversity perceptions among their workforce to mitigate their impact on team dynamics. In brief, organizations should be mindful of the moderating role of negative perceptions when assessing how diversity practices affect team fault-lines. It also runs counter to what van Dijk & van Engen (2013) said, namely that diversity always leads to positive outcomes for teams. Indeed, this may not be the case as more diversity practices have been shown to lead to a more pronounced team division.
Additionally, none of the covariates (gender, education, age) had statistically significant effects on team fault-lines. Gender came close to significance, suggesting a potential trend, but it didn't reach the conventional threshold. This indicates that, albeit mildly, females tend to show higher levels of team fault-lines as compared to their male counterparts.

Moreover, the second part of the model addressing the mediation effect of team fault-lines in the relationship between diversity practices and employee engagement, indicates that team fault-lines do not mediate this relationship. This means that team fault-lines do not appear to explain the relationship between diversity practices and employee engagement in this context, thus rejecting H3[15]. This finding suggests that other factors not included in the model might be at play in explaining the connection between the two variables.

Despite the absence of mediation by team fault-lines, the model confirms a direct and positive effect of diversity practices on employee engagement. This result aligns with existing literature (accepting H1) and underscores the potential benefits of fostering diversity within organizations. Hence, organizations that invest in and implement effective diversity practices are likely to see higher levels of engagement among their employees.

Subsequently, a second model was also run with the objective index of diversity practices (i.e., ESG Index) as compared to the first model employing a subjective measure of diversity. Regarding the first part of the model, which addressed the moderation effect of negative perception in the relationship between the ESG index and team fault-lines, no statistically significant effect was observed; this includes diversity practices, negative perceptions, and the covariates. Hence, H2 and H3 are both rejected.

[15] H3: *Team fault-lines mediate the relationship between diversity practices and employee engagement*

Thus, the main difference between the two ways of measuring diversity practices in this part of the analysis is that subjective diversity practices were significant at least for medium and high negative diversity perceptions, while the moderation is not significant with the objective measure.
Another important difference lies in the relationship between variables. Specifically, the subjective measure predicts that an increase in diversity practices leads to a lower level of team fault-lines. On the other hand, the findings of the objective diversity measure suggest that, although not statistically significant, there is a trend suggesting an increase in diversity practices associated with an increase in team fault-lines. Specifically, the mentioned trend runs counter to the initial expectations of the study since it suggests that companies with increasingly diverse environments struggle with more pronounced team divisions. Consequently, it represents an interesting topic that could be the object of further analysis.

Concerning the second part of the model, which is focused on the mediation effect of team fault-lines in the relationship between the ESG index and employees' engagement, the model was found not statistically significant, hence rejecting H4. Moreover, similarly to the previous mediation analysis, it has been shown that diversity practices directly impact employee engagement, hence confirming the respective hypothesis (H1).
However, contrarily to the subjective measure of diversity, this impact is negative, pointing out that the more the firm does in terms of being compliant with the worldwide guidelines of diversity and inclusion, the more employees will be reluctant to reciprocate in the same way. This contradicts the principles of social exchange theory (SET; Blau, 1964), which suggests that engagement can function as a way of reciprocating to one's organization for the career and social support received. As in the previous case, this is a quite controversial outcome that goes completely against the aim of the research and that deserves to be explored in detail by future research.

3.5. Managerial Implications

From the practical perspective, the findings of the study suggest that organizations that implement better diversity practices not only benefit from a more diverse workforce but also reduce the likelihood of team fault-lines. In this way, organizations can create a more inclusive and cohesive work environment that leverages the advantages of diversity while minimizing potential challenges.
When evaluating the impact of diversity practices on team fault-lines, organizations should consider the moderating influence of negative perceptions. Indeed, to mitigate the formation of team fault-lines, organizations should not only focus on implementing diversity practices but also pay close

attention to managing and improving perceptions of diversity within the workplace. Strategies for addressing negative diversity perceptions may include diversity training, open communication, and creating an inclusive work culture. This is with the aim of enhancing organizational inclusivity to try to mitigate these challenges.

Moreover, the mediation analysis showed that organizations should continue to focus on enhancing diversity practices as a means to improve employee engagement. Additionally, they can explore other potential mediators or factors that may help explain the relationship between diversity practices and engagement.

Another point of reflection that emerged from the analysis concerns the different results that emerge from using both a subjective and objective index of diversity practices. This could occur for several reasons. For instance, objective metrics are commonly concerned with concrete actions and policies concerning diversity and inclusion, such as recruitment, training, or diversity-related initiatives. Conversely, subjective evaluations from employees often consider the broader workplace atmosphere, perceived attitudes, and the actual impact of these practices on their daily lives. With that being said, objective measures could document the organization's initiatives, but they might not comprehensively assess their impact or how employees perceive them.

Furthermore, it's not just about having diversity practices in place; how well these practices are executed matters. Objective measures may not capture variations in how well these practices are executed. If diversity practices are poorly implemented or lack authenticity, employees may see them as superficial gestures, potentially causing higher divisions within the workforce. Also, even if objective measures indicate strong diversity practices, employees might still perceive or experience bias, discrimination, or exclusion within their teams. These negative experiences can contribute to heightened divisions.

3.6. Limits of the Study & Areas for Future Research

A significant limit of the study is represented by the limited sample employed to run the analysis with the ESG index (N=88). This is because of the specific complexities connected to the index itself, which accounts mostly for listed companies, while the majority of respondents of the analysis were not employed in such firms.

Another aspect related to the ESG Index is that measuring objective levels of diversity is difficult since it needs team members to view these aspects as important or relevant, as opposed to the subjective view of diversity (Shemla et al., 2016).

Another point of reflection is given by the use of a broad definition of diversity practices. Indeed, as

previously stated, the concept of diversity itself lacks a widely acknowledged, accurate definition (Shemla et al., 2016). Nonetheless, various dimensions of it have been categorized in the literature (e.g., Gardenswartz & Rowe, 1998; Carnegie Mellon University, 2014; University of Washington, 2018; Williams & O'Reilly, 1998; van Knippenberg & Schippers, 2007). Hence, the study could have gained more precision by targeting a single or a couple of definitions of diversity. This may also have avoided the personal interpretation of the concept, thus converging the study towards a common expected outcome.
Also, the research could be applied to a specific field of interest (e.g., a specific industrial sector) or a specific geographical area to better adapt the issue presented to real-life situations.

Despite that, a noteworthy aspect that could be the object of further investigation is if an increase in diversity practices measured through an objective index actually leads to an increase in team fault-lines. If so, strategies to manage and mitigate the negative effects of team fault-lines may be necessary when implementing diversity initiatives.
It could also lead to a deeper understanding of why the two measures come up with different impacts on team fault-lines, which can be extremely useful in comprehending organizational dynamics.
Moreover, the results of the analysis indicated that there may be unexplored factors influencing the relationship between diversity practices, team dynamics, and engagement. Future research could delve deeper into these factors to provide a more comprehensive understanding of the complexities involved in diversity management.
Another interesting topic could be leveraging the research for a multilevel analysis. Indeed, by targeting both HR representatives and employees, the analysis could gain a deeper understanding of the underlying dynamics. This approach could lead to a more holistic examination of the differences between intended and implemented diversity practices, as Nishii et al. (2008) suggest the organizational reality to be divided into. Thus, this would contribute to shed light on not only the organizational perspective but also the individual experiences and perceptions, thereby enriching the insights into the topic at hand.

3.7. Conclusions

In conclusion, it has been built a model to conceptualize how the intervention of negative perceptions of diversity and team fault-lines affects the relationship between diversity practices and employee engagement. To do this, two measures—one using an objective metric and the other using a subjective assessment of diversity—are employed.

Importantly, based on these results, the subjective assessment of diversity practices does not appear to have any impact on team fault-lines, but this relationship is significantly exacerbated when staff members have negative opinions of diversity that range from moderate to strong. The benefits of a varied workplace, including improved employee performance and well-being, may thus be reaped by organizations that actively aim to minimize negative attitudes towards diversity within their workforce. Moreover, the role of team fault-lines in moderating the relationship between diversity practices and employee engagement resulted not significant, thus suggesting future research to delve into the identification of other variables capable of moderating such relationship.

Contrarily, the objective measure of diversity employed in this analysis only confirmed the direct relationship between diversity practices and engagement well-established in the literature. Two mild trends emerged from the analysis, namely that an increase in diversity practices leads to a consequent surge in team division, as well as the more the firm puts in place in the form of diversity practices, the less engaged the employees will be. These are deeply contradicting outcomes that require further testing by future research.

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APPENDIX: SURVEY

Diversity Perceptions

Info Welcome!

You are about to take part in an experimental study that poses no risks. In compliance with the EU Regulation 2016/679 of the European Parliament and of the Council of 27 April 2016 related to the protection of personal data, we remind you that the information provided will be processed only for scientific research, non-commercial purposes and in an aggregate manner ensuring the most complete anonymity.
Anyone over the age of 18 can participate.
The depositary of the data processing is the Department of Business and Management, LUISS Guido Carli University of Rome. For any information on the research, please contact the e-mail address: ccalluso@luiss.it or chiara.natalini@studenti.luiss.it.
Please provide ALL required information.
There are NO right or wrong answers. You can stop at any time during the experiment if you feel uncomfortable.

To proceed, press the "next" button.
By pressing "next" button you consent to the processing of your data.

General information

- Please, indicate your age: _____

- Please indicate your gender
  - ○ Male
  - ○ Female
  - ○ Non-binary
  - ○ Prefer not to say

- Please indicate the highest title you have earned
    - ○ High-school Diploma
    - ○ Bachelor's degree
    - ○ Master's degree
    - ○ Post-graduate master/education
    - ○ PhD

What is your job position? _____

What's the company* you work for: _____

**Please note that the name of your company will remain anonymous and will not be disclosed in any case in the research; it is only necessary in order to link you answers to some company data.*

Engagement

Please rate your degree of agreement with the following statements on a 7-point Likert scale ranging from "strongly disagree" to "strongly agree".

1) When I work, I feel bursting with energy.
2) When I get up in the morning, I feel like going to work.
3) At my work I always persevere, even when things do not go well.
4) I am enthusiastic about my job.
5) To me, my job is challenging.
6) I am proud on the work that I do.
7) Time flies when I'm working.
8) I get carried away when I'm working.

Diversity Perceptions

Please rate your degree of agreement with the following statements on a 7-point Likert scale ranging from "strongly disagree" to "strongly agree".

1) Knowing more about cultural norms of diverse groups would help be more effective in my job.
2) I think that diverse viewpoints add value.
3) I believe diversity is a strategic business issue.
4) I feel at ease with people from backgrounds other than my own.
5) I am afraid to disagree with members of other groups for fear of being called prejudiced.
6) Diversity issues prevent some working groups from performing their tasks optimally.

Diversity Practices

Please rate your degree of agreement with the following statements on a 7-point Likert scale ranging from "strongly disagree" to "strongly agree".

1) Managers in my company have track record of hiring and promoting employees objectively, regardless of their race, sex, religion, or age.
2) Managers in my company give feedback and evaluate employees fairly, regardless of the employees' ethnicity, gender, age, or social background.
3) Managers interpret human resources policies (such as sick leave) fairly for all employees.
4) Managers in my company give assignments based on the skills and abilities of employees.
5) in my company encourages the formation of employee network support groups.
6) There is a mentoring program in use in my company that identifies and prepares all minority and female employees for promotion.
7) The company spends enough money and time on diversity awareness and related training.

Team Fault-lines

Please rate your degree of agreement with the following statements on a 7-point Likert scale ranging from "strongly agree" to "strongly disagree".

1) I perceive my team as being split up into subgroups of team members.
2) In my team, I am part of a subgroup of people who I feel are very similar to me.
3) In my team, there is a subgroup of people with whom I communicate more frequently than with other team members outside of my subgroup.
4) Team members who are similar to each other, consort with each other more often.
5) Often, the same conversation groups form within my team.
6) Within my team, different subgroups have emerged, whose members get along with each other well.