

Impact of Age Diversity on Organizational Performance: A Case of Banking Sector in District Swat

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Abstract

Current study investigated the relationship between age diversity and organizational performances in banking sector. Furthermore, the role of age diversity in organizational problems solving and overall performances have been focused. Through directional hypotheses the study was directed. The study was delimited to the employees of banking sector of District Swat. All the employees working in banking sector including all public and private sectors banks constituted the population of the study. Questionnaire was used for data collection from the respondents. The results of the study illustrated that there is significant relationship between employees' age diversity and organizational performances. Furthermore, significant correlation was found between age diversity of the employees and problems solving approaches and abilities of the organization. The higher the age diversity among the employees of bank the lower the organizational problems and the higher their performances.

Keywords: Age diversity, Organizational performance, Problem solving and Creativity

Introduction

The employees of any organization are the main assets of which affects the individual and overall performances of the organization. Age diversity among the employees have been identified an important factor which influence the organizational performance. It helps organizations in terms of creativity and innovative approaches to the organizations' problems and performances. The combination of experience and inexperience workforce helps to benefit from experience employees for inexperience and reduce organizational problems. The understanding of

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market trends, demands and loopholes reduce the chance of errors in organizational decisions (Zaidi, Saif, & Zaheer 2010). Diversity has been defined Ogutu, Muchemi, and Awino, (2011) as the sharing of personal characteristics among equally dependent members of an organization.

Organizational performance for both profitable and non-profitable organizations is an important issue on which researchers are not on the same stances. According to Ismael Younis Abu-Jarad, Yusof, and Nikbin, (2010) organizational performance is the ability of an organization to meet its mission through effective management, strong control and building employee commitments to achieve the desired targets. In the words of Munizu (2013) it is the achievement of market oriented as well as financial goals of an organization. While Corina Gavrea, Ilies, and Stegerea (2011) there is no universally accepted definition of organizational performance because of its relative nature. Although to sum up one may define it as a successful and better performing organization is one which utilize its minimum resources to reach its goals. The achieve the targets different parameters may be satisfied, among all those parameters one is hiring age diversified workforce, because employees with high experience and skills can enhance the abilities and skills of their team workers.

Age as a component of diversity in the workplace has also received much attention in progressive organizations. Age diversity refers to the different generations of workers with different behaviors, attitude and values (Wangombe, Wambui, Muthura, Kamau, & Jackson, 2013). Age diversity refers to the involvement of different age personnel in workgroup, as age is the important factor for organizations but both younger and older employees face challenges in organization. However older employee's vast experience and youth energy can bring new ideas to organizations. There should be a balance regarding age in organization. Research studies have identified age diversified environment in organizations as an opportunity to enhance creativity and suitable solutions for the organizational problems. Quality problem solving and decision making and such other related matters can be addressed through heterogeneous environment within organization. Although generational differences in age diversified workforce can create conflicts but these conflicts can be resolved through improving human resource policies (Zaidi, Saif, & Zaheer 2010; Zincirkiran, Emhan, & Yasar, 2015).

On the other side like age diversity in employees of organizations is one of the most important attribute of employees and for organization is to generate ideas and think creatively about how to solve problems. Problem refers to a difference and gap between the preferred

to actual conditions, while problem solving is a continuous process to reduce or eliminate the differences and gaps between the desired and actual conditions of an organization. Employees having problem solving and creativity skills can run the organization smoothly and with a better performance (Gino, & Ariely, 2012).

Workers of all ages add tremendous value to our organizations, because of various skills like problem solving and creativity, knowledge sharing and team working these are the important components in the diverse workforce of the future. Keeping in view the importance of the topic this study investigated the relationship between age diversity of employees and organizational performances.

Objectives of the study

To investigate the researcher problem properly it was divided into research objectives. The details of these objectives were:

1. To measure the relationship between age diversity and organizational performance
2. To measure the relationship between age diversity and problem solving and creativity
3. Examining that how age diversity can affect the organizations performance

Hypotheses of the study

Directional hypotheses were formulated for the study as;

1. There is a significant relationship between age diversity and organizational performance
2. There is significant relationship between age diversity and problem solving and creativity
3. There is significant affects of age diversity on the organizational performances

Delimitation of the study

Banking sector is one of the huge and working sectors of social sector. It is wide in nature and functions. Due to time, resources and financial constraints it was difficult to cover all the aspects and area of banking sector. Therefore the study was delimited to the banks of District Swat.

Literature Review

Age diversity has gained much attention and is more important in Human Resource Management because of the age diversity in organizational workforce the organizations make progress. It is the heterogeneity or differences with respect to age in the members of an organization or

group. The increase of age diversified workforce increased the level of age diversity organizations, and as a result instead of retiring older employees will be seen working with younger employees. So the organizations must try to understand the issues related to age diversity in work place and get beneficial from them. Age diversified workforce consists of different values and believes and as a result can affect the level of consolidation & coherency within a group(Bird, 1993).

Plessis(2010) founds that age as a factor of diversity is not permanent as like race or gender but different among different people, due to differences in age problem caused by age diversity is that when a younger employee with less experience supervisor is put in charge of older employees with experience will lead to negative response from experienced employees. Similarly it has been prefigured that in age diversified top management and work groups with lower performance rating than employees similar in ages the rate of absenteeism and turnover is relatively high and age differences in subordinates and supervisors lead to poor performances (Martins, 1996).

From view of social categorization theory age diversity may affect group performance e.g. individuals born on similar times have similar outlooks of life and shared experiences and these similarities may result in interpersonal attractions and values. While there is difficulty in communication and conflicts are likely high in the groups that are characterized by heterogeneity in age. However in age diversity the access of information is high that may enhance group decision making and may affect performance & creativity positively within groups(Reilly, 1998).

Kunze, Boehm, and Bruch (2013) explained that from organizational behavior perspective there is a negative effect of age diversity on organizational performance, as formation of similar age groups can result in poor performance but if organizations develop such HR practices that are friendly to diversity may create an environment of mutual respect among all employees and in return performance will increase. The negative age stereotypes of top management play an important role in the age diversity and performance relationship, if top management low negative age stereotypes then the formation of subgrouping and age discrimination may disappear and age diversity will effect positively on organization. When the strategies and tasks are adjusted in such a way that reflect diversified workforce can enhance competitiveness like innovative organizations with innovative tasks and age diversity attain their desired goals more effectively and then the organizations with no innovative tasks and creativity(Backes, Gellner, & Veen, 2013).

Problem solving skills are increasingly taking much attention for high performance organizations. Employees having problem solving and creativity skills can run the organization smoothly and with a better performance (Gino, & Ariely, 2012). Problem solving and creativity skills are important because employees make decisions when they face problem and need solution, if their skills are weak and they are unable to solve the problems then it is difficult for organizations to perform better. Problem solving and creativity is not just an ability but requires a mindset. Effective problem solving skills help employees to identify problems and find alternative solutions to them.

There are four stages of problem solving and creativity which are generation, conceptualization, optimization and implementation (Basadur, Gelade, & Basadur, 2014). In the generation stage generation of new information, opportunities and problems are pointed out. Here employees get alerts and face with difficulties by attempting their tasks in organizational settings. On the basis of these difficulties and inconsistencies further problematic areas are suggested and employees then try to tackle the situation and find opportunities and improvements to avoid those problems. At this stage problems are not clearly understood and no final step can be taken. The second stage which is conceptualization a model is developed through analyzing the problem that how could it be solved easily, at this stage conceptualized knowledge is used to find solution to problems. At third stage that is optimization on the basis of first two stages an optimal solution a plan is made for implementation. At the final stage implementation is done and involves new solution to problems.

While Ackoff, and Vergara (1981) also highlighted four levels of problem solving and creativity i.e. Problem solver first analyses about the nature of the problem, and try to find a solution after a thoroughly examining the problem, then analyzing he finds that what requirements will be necessary to solve the problems, and finally on the basis of requirements he finds a more specific solution to the problem. If performing the given steps problem exists then performing from first to third step again can solve the problems. He further suggest that problem solving requires motivation and proper formulation.

Organizational performance can correspondingly be measured by increase in market share, return on investment, and financial position of organizations (Munizu, 2013). Low prices and high quality results in competitive advantage that in turn increase performance of organization, and with consistency in high quality products organizations will able to charge premium prices and increase its profit margins and return on investment. Organizational performance covers three areas of an

organization i.e. return on investment and profits which are collectively termed as financial performance, secondly market growth, market share, market position which is termed as market performance and third area is stock holder return on investment (Richards, Devinney, Yip, & Johnson, 2008).

Besides financial, market and other performance related factors, human resource is one of the most important resource of each and every organization, and organizations must invest a huge amount on human resource because the performance of human resource will directly affect the performance of organization (Khan, Khan, & Khan, 2011; Khan, Hafeez, & Saeed, 2012). The better the performance of employees better will be organizational performance and vice versa. Organizations should design training and development programs for employees according and relevant to their needs that has a positive effect on organizational performance. The goal of every organization is continuous performance because due to poor performance organizations cannot grow and progress to upper levels. Successful Organizations are very important for development of developing nations that is why organizational performance gained much attention in management research (Gavrea, Ilies, & Stegorean, 2011).

Better performing organization is one which utilized its minimum resources to reach its goals. In 50's performance was evaluated through work, organization structure and employees, during 80's and 90's organizational performance was measured by profits out of many performance indicators. Organizational performance is used to determine that whether an organization is performing well in terms of product quality, market share and profitability in comparison to its rival firms. Furthermore, organizational performance is the quality of an organization to achieve its desired objectives like high market share, competitive advantage, high profit, quality products etc. they further stated that leadership style can also influence an organizational performance and organizations should focus on understanding the leadership effects on performance. Likewise Strategic human resource management has positive effects on organizational performance (Sani, 2012).

Research Methodology

It was a descriptive study in nature. Survey was conducted and the data was collected through a questionnaire from the respondents. All the employees of banking sector in district Swat were included in the population of the study. Through simple random sampling techniques one hundred and twenty respondents were selected from the population

of the study. Twenty questionnaires were excluded from the study as these responses were not completed in all respects about half or one-third of the items were not responded.

Data was collected through a questionnaire which was framed on Likert scale pattern. There were twenty eight items in the questionnaire initially, which was reduced to twenty two items after pilot testing. To obtain the content validity of the instrument it was discussed with experts in the field of human resource management. The pilot test of the instrument was carried on the employees of National Bank of Pakistan Saidu Sharif Branch Swat, where it was administered to thirteen respondents of the bank. The data were placed into SPSS version 18 and reliability alpha was calculated which was .74. There were eight items regarding age diversity, eight items about organizational performance and the remaining six questions were about problem solving and creativity. The respondents were given point options on each item the details were; "5 = to a great extent, 4 = to some extent, 3 = Not clear, 2 = slightly disagreed and 1= Not at all. The collected data were analyzed through Mean Std Deviation, frequency, Pearson correlation and linear regression.

The respondents were selected as upper level staff specially managers. The general characteristics of the data were described by using descriptive analysis and were given in the table 1.

Table 1 Demographics

Demographic profile	Mean	STD	Skewness	Frequency
Gender:	1.00	.000		100
Male				100
Female				0
Age of employees:	1.940	.722	.419	100
20-30 years				27
31-40 years				54
41-59 years				17
50 and Above				2
Qualification:	2.180	.479	.479	100
Bachelor				4
Master				74
Above Master				22
Income:	2.980	1.072	-.661	100
20,000-30,000				14
31,000-40,000				16
41,000-50,000				28
Above 50,000				42

Results and Discussion

First of all Correlation analysis was done to measure the relationship among age diversity, organizational performance and problem solving and creativity. This results showed that the correlation between age diversity and organizational performance is 0.489** and between age diversity and problem solving and creativity it is 0.440** while correlation between problem solving and creativity and organizational performance is 0.489**. These values clearly indicate that correlation between the variables is positive. The relationship is shown in table 2. Age diversity is represented as AG, Organizational performance as OP and Problem solving and creativity as PSC.

Table 2 Correlation

	AD	OP	PSC
AD	1		
OP	0.489**	1	
PSC	0.440**	0.489**	1

** . Correlation is significant at the 0.01 level (2-tailed)

Regression analysis was used to calculate or measure the magnitude of casual relationship of independent and dependent variable. Regression analysis for *age diversity and organizational performance* is given in table 3.

Table 3 Regression Analysis; Organizational performance

Variables	B	R Square	Adjusted R	T	Sig
		0.240	0.232	30.865	.000
(Constant)	11.045			3.626	.000
Age diversity	0.489			05.556	.000

In table 3 t-value is 30.865, which shows that overall model is significant. The R square value shows that 24% of organizational performance can be explained by age diversity. B value shows that one unit change in age diversity cause 0.489 unit change in organizational performance. The p value 0.000 shows there is a significant relationship between age diversity and organizational performance. On the basis of table 3 interpretation, it is concluded that hypothesis 1 is correct and accepted.

Table 4 Regression Analysis; Problem solving and creativity

Variables	B	R Square	Adjusted R	T	Sig
		0.194	0.185	23.522	.000
(Constant)	14.911			7.764	.000
Age diversity	0.440			4.850	.000

Regression analysis for age diversity and problem solving and creativity is given in table 4. Table 4 shows that T-value is 23.522, which shows that overall model is significant and also the p value is .000 which also indicates significance. The R square value shows that 19% of the variance in problem solving and creativity can be predicted from age diversity. B value shows that one unit change in age diversity cause 0.440 unit changes in problem solving and creativity. On the basis of table 8 interpretation, hypothesis 2 is accepted.

Conclusion

On the basis of the results obtained from correlation and regression analysis it can be concluded that the relationship between age diversity, organizational performance. Similarly, there was significant relationship between age diversity and problem solving along with creativity among the employees of the organization, this correlation was positive and significant.. Based on the results it concluded that there are significant relationships among age diversity, problem solving employees' creativity and their organizational performances.

The study indicates that one unit change in age diversity cause 0.631 unit changes in organizational performance and overall 24% of performance is contributed by age diversity in organizations. While value one unit change in age diversity cause 0.347 unit change in problem solving and creativity that in turn contribute 19% to the overall performance of organization. To conclude based on the above mentioned results the presence of age diversity in organization enhance the organizational performances of the employees. This also contributes in the orientation of the new and inexperience employees, and solving organizational a procedural and product related problems.

Keeping in view the results and conclusions it is recommended that organizations particularly banking sector may take into consideration the age diversity in their organization through allotting to each section of bank.

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