

## **RACIAL DIFFERENCES IN EMPLOYEE RETENTION: ARE DIVERSITY CLIMATE PERCEPTIONS THE KEY?**

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Given considerable racial differences in voluntary turnover (Bureau of Labor Statistics, 2006, Table 28), the present study examined the influence of diversity climate perceptions on turnover intentions among managerial employees in a national retail organization. The authors hypothesized that pro-diversity work climate perceptions would correlate most negatively with turnover intentions among Blacks, followed in order of strength by Hispanics and Whites (Hypothesis 1), and that organizational commitment would mediate these interactive effects of race and diversity climate perceptions on turnover intentions (Hypothesis 2). Results from a sample of 5,370 managers partially supported both hypotheses, as findings were strongest among Blacks. Contrary to the hypotheses, however, White men and women exhibited slightly stronger effects than Hispanic personnel.

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Employee turnover can be a considerable organizational problem. One out of seven workers can be expected to exit their jobs annually (Clark & Perry, 1999). Coupled with a projected financial cost of over \$10,000 per employee exit (or higher for upper-level jobs; "Survey Confirms High Cost of Turnover," 1998), exorbitant turnover rates can have disastrous bottom-line implications. Turnover may be even more costly for firms investing heavily in minority recruitment because minorities' retention rates tend to be considerably lower than those of White employees (Griffeth & Hom, 2001; Robinson & Dechant, 1997). In fact, recent evidence suggests that annual voluntary turnover is nearly 30% higher among racial minorities (Bureau of Labor Statistics, 2006, Table 28). Consequently, these firms may fail to realize full returns on their minority recruitment expenditures and find themselves saddled with the costs of replacing a higher proportion of their personnel.

Although minorities are more likely to turnover than their White counterparts, little research has examined prospective causes. The organizational literature suggests that minorities encounter less favorable racial conditions in firms than their White counterparts (Foley, Kidder, & Powell, 2002; Greenhaus, Parasuraman, & Wormley, 1990), and reporting such concerns to be of greater relative importance (Kossek & Zonia, 1993; Mor Barak, Cherin, & Berkman, 1998). In turn, these negative racial conditions have been shown to undermine minorities' organizational attitudes (Chrobot-Mason, 2003; Foley et al., 2002), which tend to be precursors of voluntary turnover (Griffeth & Hom, 2001). Altogether, this suggests that the diversity climate concept may be useful in explicating racial differences in voluntary turnover and retention. The present study, therefore, examines the role of diversity climate perceptions in predicting turnover intentions among Black, Hispanic, and White managerial personnel. Mor Barak et al. (1998) defined diversity climate as employees' perceptions that an organization adheres to fair personnel practices and the degree that minority employees are integrated into the work environment. Logically, diversity climate perceptions should have greater ramifications for minority than for majority employees in determining their propensity to remain in organizations. Unfortunately, this notion has garnered little, if any, research attention in the organizational behavior/human resource management (OBHRM) literature (cf. King, Hebl, George, & Matusik, 2002).

Our investigation contributes to the diversity literature by reporting large-sample, path-analytic findings highlighting theory-based relations between diversity climate perceptions and retention-related outcomes. In the sections to follow, we develop theoretical reasoning about how diversity climate perceptions could influence racial differences in turnover intentions.

*Theoretical Background and Research Hypotheses**Psychological Climate*

James, James, and Ashe (1990) defined psychological climate as individuals' "cognitive appraisals of environmental attributes in terms of their acquired meaning and significance to the individual" (p. 54). They further explained that psychological climate has been of historical interest in psychology, in terms of how individual differences in subjective experience relate to valuation (e.g., evaluations of aspects of an environment such as race relations) and affect. This suggests the presence of individual variability in employees' evaluations of a company's diversity climate, with corresponding effects on attitudes and intentions. We, therefore, examine how employees' individual-level perceptions of a firm's diversity climate influence their turnover intentions. Although a few studies have explored the concept of diversity climate, its role in precipitating racial differences in retention remains largely uncertain.

*Diversity Climate*

Mor Barak et al. (1998) proposed that individuals develop perceptions about the organization's stance on diversity as well as their own views pertaining to the value of diversity in firms. Prior evidence indicates that diversity climate perceptions vary based on one's racial group membership (Kossek & Zonia, 1993). Social identity theory (SIT; Stryker, 1968; Tajfel & Turner, 1986) suggests people sort themselves into identity groups based upon salient characteristics (e.g., race, sex, etc.), act in concert with their salient identities, and favor contexts that affirm group identity (Ashforth & Mael, 1989; Hogg & Terry, 2000). Symbolic structural interactionism theory (Stryker, 1980) further states that people negotiate their identities through interactions with other people and institutions in society. Through these transactions, minorities learn that they occupy a subordinate status in society, as evidenced by their experiences of pervasive discrimination (Feagin, 1991; Utsey, Chae, Brown, & Kelly, 2002). Because discrimination has negative effects on minorities' physical and mental well-being (Clark, Anderson, Clark, & Williams, 1999; Williams, Yu, Jackson, & Anderson, 1997), they should place considerable value on organizational efforts to provide a work climate that minimizes discrimination.

Conversely, majority group members (particularly males) are less likely to experience racial discrimination and, accordingly, should be less concerned with a firm's diversity climate. Furthermore, aversive racism theory (Dovidio, Gaertner, Kawakami, & Hodson, 2002; McConahay, 1983) suggests that some may have a subconscious aversion to

minorities and thereby respond negatively to firm diversity efforts. In addition, some White males may view firms' efforts to provide a work environment that is fair and inclusive to minorities as unjustified, counter to their self-interests (i.e., nonbeneficiaries), and as a violation of the merit principle (Kossek & Zonia, 1993; Sidanius, Pratto, & Bobo, 1996). Consequently, they may exhibit backlash against organizational diversity efforts (Avery, 2003; Kidder, Lankau, Chrobot-Mason, Mollica, & Friedman, 2004; Linnehan & Konrad, 1999). In contrast, White females' stance on diversity may align more closely with that of minorities, given their membership in a relatively lower status gender group and experiences of gender discrimination (Gutek, Cohen, & Tsui, 1996; Konrad & Cannings, 1997). Minority females tend to report more racial than gender bias (Bell, 1990), suggesting greater salience of racial versus gender issues. Owing to their social status concerns, minorities and White females report higher value for diversity than White males (Kossek & Zonia, 1993; Mor Barak, et al., 1998). Although our focus is on racial disparities in the relation between diversity climate perceptions and turnover intentions, White males and females are distinguished in statistical analyses due to potential within-group gender differences in value for diversity.

Racial identity theory (Phinney, 1992) suggests even more fine-grained racial differences in the importance placed on diversity climate. Racial/ethnic identity refers to the extent that an individual's self-concept is defined by membership in a particular racial/ethnic group, the level of attachment felt toward the group, and the extent of participation in cultural activities associated with group membership (Phinney, 1992). In United States-based research, Blacks endorse the highest racial identification of all racial groups, followed by Hispanics, Asians, and Whites (Phinney, 1992; Wright & Littleford, 2002). A possible reason is that stereotypes about Blacks are decidedly negative relative to those of other racial groups, (Bell, 1985; Crocker & Major, 1989; Kirschenman & Neckerman, 1991), which relates to greater encounters of prejudice and discrimination. Studies of employers' impressions of workers illustrate that they hold more negative stereotypes about Blacks (e.g., lazy, incompetent, confrontational) than Hispanics (e.g., hardworking, loyal; Heilman, Block, & Lucas, 1992; Kirschenman & Neckerman, 1991). Not surprisingly, Blacks report the highest incidences of discrimination at work and in general, followed by Hispanics, Asians, and Whites, respectively (Bell, Harrison, & McLaughlin, 1997; Utsey et al., 2002).

Strong identification with one's racial or ethnic group is associated with increased personal salience of race/ethnicity and a greater concern for protecting group identity from perceived threats, such as discrimination (Ethier & Deaux, 1994; Thompson, 1999). In this sense, high racial identification may serve as a form of schema-based processing through which to encode workplace experiences (Fiske & Taylor, 1991). Consequently,

Blacks are more likely to interpret ambiguous workplace events in racial terms and encounter more discrimination than other groups. Such events should heighten the value that they place on diversity as a means of mitigating alleged (or actual) discriminatory encounters at work (Mor Barak et al., 1998). These findings suggest an exact, descending order of relationship strength between diversity climate perceptions and turnover intentions among Blacks, Hispanics, and Whites in this investigation.

According to Cox's (1994) theoretical interactional model of cultural diversity (IMCD), diversity climate impacts organizational effectiveness both directly and through its effects on individual level outcomes. Diversity climate influences affective reactions, such as how employees feel about their job and employer, and includes variables such as job/career satisfaction, job involvement, and organizational identification. Subsequently, affective outcomes influence organizational effectiveness indicators such as product/service quality, productivity/efficiency, and labor turnover. Extending the IMCD, we expect racial group membership to interact with diversity climate perceptions to predict turnover intentions. This assertion is based on the notion that Blacks and Hispanics (in order) report more negative working conditions than Whites (Foley et al., 2002, Greenhaus et al., 1990; James, 2000). Consequently, the piqued salience of racial conditions on the job should translate into Blacks placing higher value on firms' diversity climate as a means to reduce racial discrimination, followed in order by Hispanics and Whites, with implications for organizational attitudes and turnover intentions (Thomas, 1990). This process is described in more detail in the following two sections.

### *Outcomes of Diversity Climate Perceptions*

*Organizational commitment.* According to Mowday, Steers, and Porter (1979), organizational commitment results from the degree that a person is emotionally attached to his/her organization (i.e., affective commitment). Allen and Meyer (1990) claimed that the psychological state associated with affective commitment (hereafter termed organizational commitment) is an employee's *choice* to remain in the firm. Research on the antecedents of organizational commitment has revealed workplace experiences (e.g., organizational dependability) to correlate most strongly with commitment (Allen & Meyer, 1990; Dunham, Grube, & Castañeda, 1994). Moreover, demographic variables such as organizational tenure and job level are meaningful correlates of commitment as well (Mathieu & Zajac, 1990), thus necessitating statistical controls of their effects in subsequent path analyses.

Organizational dependability concerns employees' beliefs that organizational actions serve their best interests. Those organizations perceived to maintain a pro-diversity climate should be viewed as serving employees'

best interests. Because race is more central to the self-concept for Blacks, they should value organizational policies that mitigate discrimination to a greater extent than Hispanics and Whites. As a minority group, Hispanics tend to exhibit stronger identification than their White counterparts and, in turn, should be more responsive to firm diversity efforts.

These racial differences in value for diversity should influence the effect of a pro-diversity climate on commitment because high person-organization value congruence is associated with increased organizational commitment (O'Reilly, Chatman, & Caldwell, 1991). Moreover, because organizational commitment tends to predict turnover (Griffeth, Hom, & Gaertner, 2000; Tett & Meyer, 1993), we expect organizational commitment to mediate the interactive effects of race and diversity climate on turnover intentions.

*Turnover intentions.* In the present study, we utilize turnover intentions as the dependent variable. Griffeth, Hom, and Gaertner's (2000) meta-analytic results showed turnover intentions to be the strongest single predictor of actual voluntary turnover (corrected mean  $r = .45$ ). In addition, prior research findings have identified tenure and job level as predictors of turnover (Elvira & Cohen, 2001; Griffeth et al., 2000); therefore, we control for their effects on turnover intentions. Turnover intentions are an important outcome of study because identifying their correlates, in essence, could help to prevent subsequent employee exit. Based on the preceding discussion, we pose the following two hypotheses:

*Hypothesis 1:* Race will moderate the relationship between diversity climate perceptions and turnover intentions such that the negative relationship between diversity climate perceptions and turnover intentions will be strongest among Blacks, followed in order of strength by Hispanic and White employees.

*Hypothesis 2:* Organizational commitment will mediate the interactive effects of race and diversity climate perceptions on turnover intentions.

### *Method*

#### *Participants*

Study participants were 6,823 managerial employees from 50 different departments of a large, national retail organization with stores located throughout the United States. Participants completed a Web-based survey where ethnicity was self-identified. Completed surveys were returned from 6,823 of the company's 9,446 managers, producing a 71% response rate. The sample included 5,345 Whites (78.3%), 339 Blacks (5.0%), 354 Hispanics (5.2%), 108 Asians (1.6%), 44 Native Americans (0.6%), 140 who identified their race as "other," and 493 individuals who chose not

to reveal their race (7.2%). Only data from Whites, Blacks, and Hispanics were analyzed because Anderson and Gerbing (1988) recommend the use of sample sizes of at least 150 or greater to derive stable structural equation modeling estimates. The sample size for Asians was only 89 for path analyses containing all relevant study variables, after accounting for missing values. Confirming Anderson and Gerbing's (1988) forewarning, our path model failed to adequately fit the data within the Asian manager subsample.<sup>1</sup> The gender composition of the remaining sample was 2,773 men (45.9%), 2,976 women (49.3%), and 289 participants who did not identify their gender (4.8%). The demographics of the sample were generally representative of the company as a whole (Whites = 81%, Women = 54%, Blacks = 8%, and Hispanics = 7%). Moreover, gender breakdowns within racial groups, Whites (2,452 men, 2,638 women), Blacks (160 men, 171 women), and Hispanics (161 men, 177 women), mirrored those of the overall sample (i.e., females as a slight majority).

Because nonresponse bias can obfuscate interpretation of relationships between independent and dependent variables (Schwab, 1999), we felt it necessary to determine whether identifiers and nonidentifiers of their racial group membership differed on variables of interest. To examine this issue, we conducted a series of one-way Analyses of Variance (ANOVA) with tenure, diversity climate perceptions, organizational commitment, and turnover intentions as dependent variables, and identification of race (1 = *no*, 2 = *yes*) as the independent variable. Effect size estimates ( $d$ ), reported in standard deviation units, revealed that racial-group nonidentifiers reported lower tenure ( $d = .22$ ), lower pro-diversity climate perceptions ( $d = .23$ ), lower organizational commitment ( $d = .23$ ), and lower turnover intentions ( $d = .19$ ) than those who identified their race. The latter finding, perhaps, signals a negative response to perceived job immobility among racial group nonrespondents (Trevor, 2001). To investigate whether nonresponse restricted the range of responses to measures of interest, we calculated Levene's test of homogeneity of variances. Significant Levene statistics were found only for diversity climate perceptions (15.93,  $p < .001$ ) and tenure (4.42,  $p < .05$ ), indicating reduced variance in climate perceptions and tenure among racial-group nonrespondents ( $\sigma^2 = .29$  and 83.91, respectively) relative to those who identified their race ( $\sigma^2 = .37$  and 105.06, respectively); however, variance for the combined group of participants mirrored that of racial-group respondents ( $\sigma^2 = .36$  and 104.65, respectively). Collectively, this suggests that although race respondents generally were more tenured, held stronger pro-diversity climate perceptions and organizational commitment, and

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<sup>1</sup>These results are available from the first author.

reported greater turnover propensity than their counterparts, restriction of range on study variable scores was minimal.

### *Survey Development and Administration*

*Survey development.* The human resources department of the company developed a comprehensive Web-based survey to assess managerial employees' workplace perceptions. Item content included on the survey was selected from previous organizational surveys, various independent consultants, nonprofit research consortia, or developed to evaluate specific programs or cultural issues. The final version of the survey contained items designed to measure a variety of constructs (e.g., diversity climate, perceptions of job characteristics, worker attitudes, etc.). For the purposes of this study, we focused our attention upon 15 survey questions measuring diversity climate perceptions (e.g., Mor Barak et al., 1998), organizational commitment, and turnover intentions (see the Appendix for a listing of survey items).

*Survey administration.* The final organizational survey was administered to managers by e-mail through a company Intranet link embedded in a letter attached to the e-mail message. Respondents accessed the survey simply by clicking on the Intranet link. Survey items were completed on a page-by-page basis without the option of returning to items to which the individual already had responded. This feature was utilized to prevent consistency bias wherein participants would consult their responses to previous items to answer subsequent survey questions (Schwab, 1999). Data were collected for a 2-week period in October 2004. At this time, top management had been in place for 4 years and company financial results were positive and growing steadily. Because of missing survey responses, the total usable sample size ranged from 5,443 to 6,038 managers. For respondents with missing items on a scale, person-mean imputation was performed wherein responses to completed items were used to impute values for missing items, based on the within-person mean for a particular scale. This imputation method has been noted as one of the two most effective means (with regression imputation being the other) of estimating missing item responses (McDonald, Thurston, & Nelson, 2000; Roth, Switzer, & Switzer, 1999).

### *Measures*

*Turnover intentions.* Turnover intentions served as the dependent variable of the study. Intentions to leave the organization were measured with two items. Responses to the scale were scored on a six-point Likert scale ranging from 1 = *strongly disagree* to 6 = *strongly agree*. Turnover in-



tentions scores were rescaled so that low scores denote lower intention to leave the firm. The items were averaged to form a scale (Cronbach's  $\alpha = .90$ ).

*Diversity climate perceptions.* Diversity climate perceptions were assessed using nine items that addressed the extent to which managers perceived that diversity was valued in the organization. These items were similar to those utilized by Mor Barak et al. (1998). Scale responses were scored on a five-point Likert scale ranging from 1 = *well below expectations* to 5 = *well above expectations*. High scores represent perceptions that the firm's climate is supportive of diversity (Cronbach's  $\alpha = .91$ ).

*Organizational commitment.* Organizational commitment refers to managers' emotional attachment to the company. This measure consisted of four items resembling those used in other studies (e.g., Mowday et al., 1979), scored on a five-point Likert scale (1 = *strongly disagree* to 5 = *strongly agree*). High scores indicate that managers are highly committed to the firm (Cronbach's  $\alpha = .82$ ).

To assess the construct validity of our organizational commitment scale, we administered an Internet survey including our four-item commitment scale, the nine-item organizational commitment questionnaire (OCQ; Mowday et al., 1979), and the five-item Brayfield-Rothe (1951) job satisfaction measure to a snowball sample (Goodman, 1961) of adults employed in various occupations ( $N = 251$ ). Our concern was whether the commitment scale used in the study converged with the OCQ, yet was distinguishable from an established job satisfaction measure. Students of the first two authors were sent an e-mail with a hyperlink to the survey and asked to forward the e-mail to full-time working adult acquaintances. Similarly, these authors sent the same e-mail to their associates who fit the above employment profile. We used LISREL 8.30 (Jöreskog & Sörbom, 1993) to conduct confirmatory factor analyses, testing a variety of measurement models (i.e., three-factor, two-factor, two-factor uncorrelated factors, and one-factor). To examine model fit, we utilized the chi-square ( $\chi^2$  that is sensitive to large sample size), comparative fit index (*CFI*), and root mean error of approximation (*RMSEA*). Acceptable fit is evident from a nonsignificant chi-square, *CFI* values of .90 or more, and a *RMSEA* of .08 or less (Bentler, 1990; Browne & Cudeck, 1989). In addition, we computed convergent and divergent validity coefficients between the two commitment scales and job satisfaction. Results supported the construct validity of our organizational commitment measure.<sup>2</sup>

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<sup>2</sup>A three-factor model ( $\chi^2 = 451.99$ ,  $p < .001$ ; *CFI* = .91, and *RMSEA* = .10) and initial two-factor model both failed to fit the data ( $\chi^2 = 456.96$ ,  $p < .001$ ; *CFI* = .91, and *RMSEA* = .10). Examination of modification indices (for the two-factor model) suggested correlated uniquenesses between Items 3 and 5 from the job satisfaction scale

*Control variables.* To prevent potential confounding effects on dependent measures, we utilized the following measures as statistical controls: Tenure and managerial level. Tenure is used commonly as a control in turnover research, given its significant negative association with voluntary turnover (Griffeth et al., 2000). For statistical purposes, tenure was defined as the number of years of full-time experience within the organization. Managerial level was coded 1 = *lower level managers* and 2 = *store managers and senior managers*.

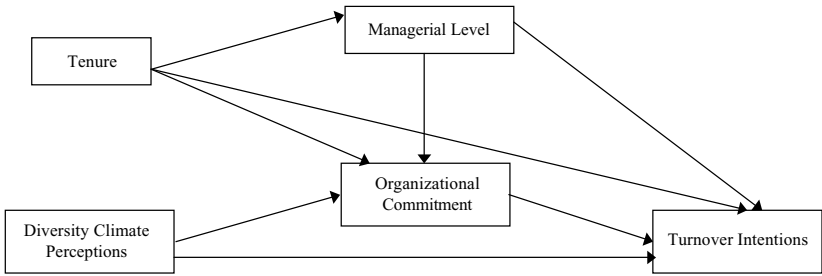
### *Analyses*

A series of analyses were performed to examine our study hypotheses. Using LISREL 8.30 (Jöreskog & Sörbom, 1993), we conducted multigroup confirmatory factor analyses (MGCFA) to examine the measurement equivalence of survey scales across White men and women, Black, and Hispanic managerial subgroups. Our concern was whether a three-factor structure represented by the diversity climate, organizational commitment, and turnover intentions items held across groups. In the psychometric literature, there are four common standards for establishing measurement invariance, which are arranged in a hierarchy from least to most stringent: equal factors (i.e., whether the number of factors is equivalent across two or more groups), equal factor loadings (i.e., the extent that factor loadings are equivalent across groups), equal variance–covariances (i.e., the degree that factor interrelationships are consistent across groups), and equal error variances (i.e., whether measurement error inherent in measured variables is equivalent). Satisfaction of the equal factor loadings standard is necessary, at minimum, to establish measurement equivalence (Raju, Lafitte, & Byrne, 2002).

To evaluate the tenability of each measurement equivalence assumption, we examined the change in *CFI* statistic associated with increasingly stringent equivalence standards. The *CFI* statistic was utilized because it

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and Items 2 and 3 from the company's commitment scale. A revised model was estimated, which incorporated these modifications, resulting in satisfactory model fit ( $\chi^2 = 340.64$ ,  $p < .001$ ;  $CFI = .94$ , and  $RMSEA = .08$ ). Items loaded .42 or better ( $p < .001$ ) on their respective factors. In contrast, a third model that constrained factor covariance between satisfaction and organizational commitment provided unsatisfactory fit ( $\chi^2 = 425.99$ ,  $p < .001$ ;  $CFI = .87$ , and  $RMSEA = .10$ ). In addition, we tested a two-factor model in which items from our commitment measure and the Brayfield–Rothe satisfaction scale were constrained to load on the first factor, while the OCQ items were set to load on the second factor, and a one-factor-model. Both of these models provided inadequate fit to the data ( $\chi^2 = 464.46$ ,  $p < .001$ ;  $CFI = .89$ , and  $RMSEA = .11$ ; and  $\chi^2 = 559.63$ ,  $p < .001$ ;  $CFI = .89$ , and  $RMSEA = .12$ , respectively). The Convergent correlation between the study's commitment scale and the OCQ ( $r = .88$ ,  $p < .001$ ) exceeded divergent relations with job satisfaction ( $r_s = .75$  and  $.70$ , both  $p < .001$ , respectively).



*Figure 1: Hypothesized Model (Model 1).*

is highly robust to factor model complexity and is commonly reported by most researchers (Cheung & Rensvold, 2002). As a rule of thumb, a change in model fit of .01 or less represents a nonsignificant change in fit after imposing an additional equality constraint (Cheung & Rensvold, 2002). The CFA portion of our analyses concluded with contrasting our hypothesized three-factor structure to two-factor structures, wherein organizational commitment and turnover intentions items (or diversity climate perceptions) were constrained to load together on one factor, a one-factor model, and a method effects model.

Finally, multigroup path analyses (MGPA) were conducted in LISREL 8.30 to examine the tenability of our hypothesized mediation model across subgroups. Path analysis provides stronger tests of mediation than hierarchical multiple regression by allowing researchers to (a) account for the effects of measurement error in variables and (b) model all hypothesized relationships simultaneously (Brown, 1997). Using survey scores, we estimated the diversity climate perceptions, organizational commitment, and turnover intentions mediation model in line with Cox's (1994) IMCD predictions. Subgroup reliabilities for each construct were used to estimate the measurement error in each indicator, and the pattern (but not strength) of path coefficients was modeled as equivalent. In addition, direct paths from control variables to organizational commitment and turnover intentions were set to partial out their effects on hypothesized model results. Controls were modeled as perfectly reliable given their demographic nature. Standard fit statistics were consulted to assess overall model fit. A graphic depiction of the hypothesized model is provided in Figure 1.

We used Baron and Kenny's (1986) three conditions for mediation to assess our mediation hypothesis as applied to path analysis by Brown (1997). To facilitate this analysis, we computed the direct, indirect, and total effects of diversity climate perceptions (DC) on turnover intentions (TI). Direct effects refer to the one-to-one relationship ( $DC \rightarrow TI$ ).

TABLE 1

*Fit Statistics Testing for Measurement Invariance Across Racial Subgroups*

Model	<i>df</i>	chi square	$\Delta\chi^2$	<i>CFI</i>	$\Delta CFI$	<i>RMSEA</i>
Equal factors	344	3,936.86	—	.9353	—	.09
Equal factor loadings	380	4,008.61	71.75	.9343	-.0010	.09
Equal variances–covariances	398	4,272.22	263.61	.9319	-.0024	.09
Equal error variances	443	4,810.60	538.38	.9275	-.0044	.09

*Note.*  $N = 5,435$ .

Indirect effects connote the impact of diversity climate on turnover intentions as carried through organizational commitment (i.e., the product of the  $DC \rightarrow OC$  and  $OC \rightarrow TI$  path coefficients). Total effects represent the overall impact of diversity climate on turnover intentions (i.e., the sum of the direct and indirect pathways). Baron and Kenny's (1986) first condition of mediation is that the independent variable (IV) must be significantly related to the mediator (i.e.,  $DC \rightarrow OC$  path). Second, the mediator variable must be significantly related to the dependent variable or DV (i.e.,  $OC \rightarrow TI$  path). Third, the total effect of the IV on the DV (i.e., the  $DC \rightarrow TI$ , as expressed by the total effect of  $\eta$  on  $Y$  in LISREL 8.30 output from Y-side path analyses) must be significant, whereas the direct effect is nonsignificant. In essence, this means that all of the influence of the IV on the DV is indirect as transmitted through the mediator. Partial mediation is apparent when the direct IV/DV relationship is attenuated relative to the IV's total effect on the DV.

### *Results*

#### *Multigroup Confirmatory Factor Analyses*

An initial run of multigroup confirmatory factor analyses (MGCFA), assuming equal factors across managerial subgroups, provided marginal fit to the data ( $CFI = .89$ ,  $RMSEA = .12$ ). Examination of modification indices revealed appreciable improvement in model fit would be achieved by allowing correlated uniqueness terms between Items 2 and 3 of the organizational commitment scale across subgroups. As shown in Table 1, specifying these model changes resulted in satisfactory model fit ( $CFI = .94$ ,  $RMSEA = .09$ ). Utilizing this model as our baseline, Table 1 shows further that the factor loading invariance standard was met. In addition, negligible decrements in model fit occurred upon imposing the increasingly stringent equal variance–covariances and equal error variance constraints.

Assuming measurement invariance, we estimated our three-factor model (with correlated errors between Items 2 and 3 of the commitment scale) for the entire sample and compared the results to two-factor, single-factor, and method factor models. The three-factor model fit well to the data ( $\chi^2(86) = 3,730.08, p < .001$ ;  $CFI = .94$ ;  $RMSEA = .09$ ), with items loading .54 ( $p < .001$ ) or better on their respective factors. We retained the above correlated errors between items to test subsequent two-, one-factor, and method effects models. A two-factor model, with organizational commitment and turnover intentions loaded on the same factor, fit the data marginally ( $\chi^2(88) = 5,345.83, p < .001$ ;  $CFI = .91$ ;  $RMSEA = .10$ ), yet a chi-square difference test ( $\chi^2_{\text{Model2}} - \chi^2_{\text{Model1}}/df_{\text{Model2}} - df_{\text{Model1}}$ ) confirmed the superiority of the three-factor model (critical value  $\chi^2(2) = 13.82$ ; obtained value  $\chi^2 = 807.88, p < .001$ ). Alternatively, a second two-factor structure that included organizational commitment and diversity climate items on the same factor fit poorly ( $\chi^2(88) = 11,607.05, p < .001$ ;  $CFI = .83$ ;  $RMSEA = .16$ ), as did the one-factor model ( $\chi^2(86) = 18,960.98, p < .001$ ;  $CFI = .72$ ;  $RMSEA = .20$ ). Finally, we evaluated the impact of common-method bias by adding a fourth method factor to the original three-factor model and permitted each of the indicator variables to load on this method factor (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). Models with method factors often have difficulty converging and require equality constraints to be imposed on the loadings from the method factor to its indicators (Podsakoff et al., 2003). To obtain a solution with reasonable parameter estimates, we too had to impose the constraint of equal factor loadings from the method factor to the indicators. The method factor model failed to enhance the fit of the original three-factor model ( $\chi^2(84) = 3401.778, p < .001$ ;  $CFI = .94$ ;  $RMSEA = .09$ ), suggesting the impact of common-method bias to be negligible. Means, standard deviations, and intercorrelations between study variables are presented in Table 2.

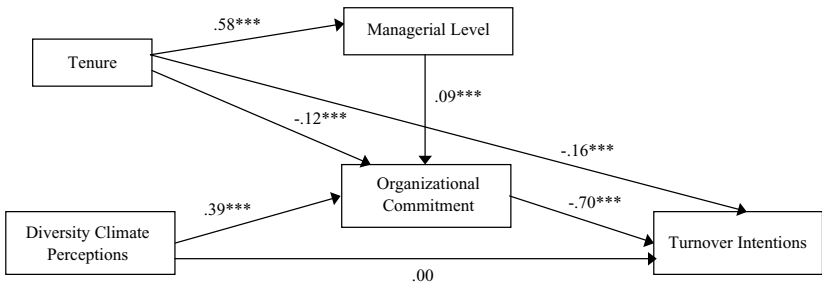
### *Path Analyses*

The hypothesized path model (Model 1) fit well to the data ( $\chi^2(8) = 58.09, p < .001$ ;  $CFI = .99$ ;  $RMSEA = .07$ ), suggesting a similar path structure across the four managerial subgroups; however, managerial level did not relate significantly with turnover intentions for any of the studied managerial groups. Excluding this pathway improved model fit (Model 2;  $\chi^2(12) = 59.03, p < .001$ ;  $CFI = .99$ ;  $RMSEA = .05$ ). As displayed in Figures 2–5, several consistent relationships emerged from the path analytic results. Across racial subgroups, advanced tenure was associated with higher managerial level and reduced turnover intentions. Tenure and managerial level exhibited significant associations with organizational

TABLE 2  
*Means, Standard Deviations, and Correlations of Study Variables*

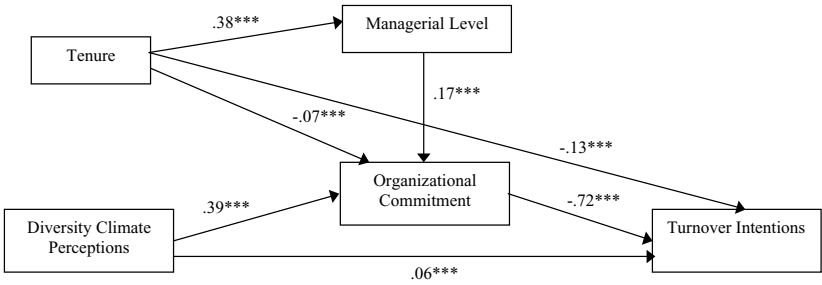
Variable	<i>M</i>	<i>SD</i>	1	2	3	4	5	6	7	8
1. Black-White	-.83	.50								
2. Hispanic-White	-.83	.51	.78***							
3. Black-Hispanic	.00	.34	.32***	-.35***						
4. Gender	1.52	.50	.00	.00	.00					
5. Tenure	17.22	10.23	-.09***	-.09***	-.01	-.21***				
6. Managerial level	1.21	.40	-.05***	-.05***	.01	-.25***	-.39***			
7. Diversity climate	3.25	.60	-.12***	-.05***	-.11***	-.03	.06***	.08***		
8. Organizational commitment	3.83	.90	.02	.04***	-.04**	.07***	-.03*	.05***	.40***	
9. Turnover intentions	2.97	1.47	.03**	.01	.03*	.00	-.13***	-.10***	-.26***	-.69***

*Notes.* The racial terms are contrast coded with the first group assigned a value of 1, the second group a value of -1, and the group not included assigned a value of 0 (Cohen & Cohen, 1983); Managerial level was coded 1 = *lower level managers* and 2 = *store managers and senior managers*.  
\* $p < .05$ ; \*\* $p < .01$ ; \*\*\* $p < .001$ .



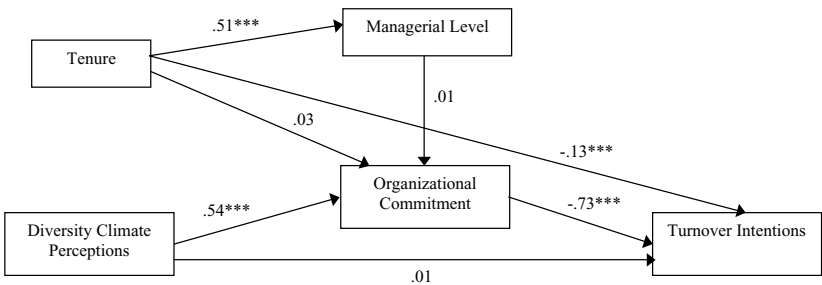
**Figure 2: Path Analytic Results for Mediation Model 2 (White Male Managers).**

Note:  $N = 2282$ ;  $*p < .05$ ;  $**p < .01$ ;  $***p < .001$ .



**Figure 3: Path Analytic Results for Mediation Model 2 (White Female Managers).**

Note:  $N = 2446$ ;  $*p < .05$ ;  $**p < .01$ ;  $***p < .001$ .



**Figure 4: Path Analytic Results for Mediation Model 2 (Black Managers).**

Note:  $N = 314$ ;  $*p < .05$ ;  $**p < .01$ ;  $***p < .001$ .

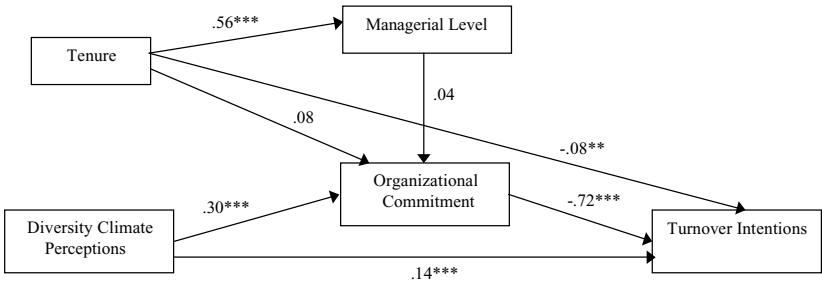


Figure 5: Path Analytic Results for Mediation Model 2 (Hispanic Managers).

Note:  $N = 328$ ; \* $p < .05$ ; \*\* $p < .01$ ; \*\*\* $p < .001$ .

commitment solely among White men and women. The nature of these path coefficients suggest that low tenure and high-level workers reported higher commitment than their respective counterparts. Perhaps, the negative tenure-commitment link represents job immobility (e.g., Trevor, 2001), which is likely given our statistical control of managerial level.<sup>3</sup>

Hypothesis 1 stated that race would moderate the relationship between diversity climate perceptions and turnover intentions such that this relationship would be most strongly negative for Black managers, followed by Hispanic and White managers, respectively. Table 3 reports the direct, indirect, and total effects of diversity climate perceptions on turnover intentions. These total effects were  $-.38$  ( $p < .001$ ),  $-.28$  ( $p < .001$ ),  $-.22$  ( $p < .001$ ), and  $-.08$  ( $p < .001$ ) for Black, White male, White female, and Hispanic managers, respectively. Subsequent  $t$ -tests between subgroups revealed that Blacks' total effects were significantly stronger than those derived for White women ( $t = -2.26, p < .05$ ) and Hispanics ( $t = -4.24, p < .001$ ), but not White men ( $t = -1.41, n.s.$ ). Contrasts between Hispanic and White subgroups showed how diversity climate perceptions related more strongly to turnover intentions for White men ( $t = 2.83, p < .05$ ) and Whites women ( $t = 1.98, p < .05$ ). The total effects of diversity climate perceptions on turnover intentions did not differ between White men and women ( $t = .85, n.s.$ ). Overall, this pattern of results provides some support for Hypothesis 1. The above relationships show that pro-diversity climate perceptions are associated with reduced turnover intentions across all racial groups.

Hypothesis 2 stated that organizational commitment would mediate the interactive effects of race and diversity climate perceptions on turnover

<sup>3</sup>We thank an anonymous reviewer for suggesting this point.



TABLE 3  
*Direct, Indirect, and Total Effects of Diversity Climate Perceptions on  
 Turnover Intentions*

Managerial subgroup	Direct effects	Indirect effects	Total effects
White men ( $N = 2,282$ )	.00	-.27***	-.28***
White women ( $N = 2,446$ )	.06***	-.28***	-.22***
Blacks ( $N = 314$ )	.01	-.39***	-.38***
Hispanics ( $N = 328$ )	.14**	-.22***	-.08***

\* $p < .05$ ; \*\* $p < .01$ ; \*\*\* $p < .001$ .

intentions. Across the groups, clear support for full mediation was found among Black and White male managers (see Table 3). Among Blacks, the direct effect of diversity climate perceptions ( $\beta = .01$ , *ns*) contributed negligibly to this predictor's total, significant negative association with turnover intentions ( $\eta = -.38$ ,  $p < .001$ ). Similarly, the direct effects of diversity climate ( $\beta = .00$ , *ns*) had no association with intentions for White men relative to the significant total effects ( $\eta = -.28$ ,  $p < .001$ ). This suggests that for these two subgroups, all of the impact was indirect, through organizational commitment. Partial mediation was evident for White female managers as the direct effect of diversity climate on turnover intentions was attenuated ( $\beta = .06$ ,  $p < .001$ ), yet was notably smaller than the total effect ( $\eta = -.22$ ,  $p < .001$ ). The mediation pathway (through commitment) explained the majority of variance in turnover intentions among White women. The hypothesized mediation process did not hold for Hispanic managers. Subgroup *t*-tests of the indirect effects of diversity climate perceptions on turnover intentions showed that effects differed significantly between only Blacks and Hispanics ( $t = -2.40$ ,  $p < .05$ ). Thus far, the evidence does not support Hypothesis 2.

The positive, direct diversity climate/turnover intentions relationship among Hispanic and White female managers could have resulted from negative suppression effects. In such cases, the IV and suppressor variable have similar significant effects on a DV, yet the suppressor shares more irrelevant variance with the IV than the relevant variance in the DV (Maassen & Bakker, 2001). In structural equation modeling, direct and total effects with opposite signs indicate negative suppression (MacKinnon, Krull, & Lockwood, 2002). We suspected that the direct diversity climate perceptions/turnover intentions path acted as a suppressor of the mediation pathway from diversity climate to turnover intentions. As a result, the total effects of diversity climate perceptions on turnover intentions would be underestimated for these two subgroups. To examine this possibility, we fixed the direct path and reestimated the model (Model 3). Fixing this path had minimal effect on overall model fit ( $\chi^2(16) = 84.98$ ,

$p < .001$ ;  $CFI = .99$ ;  $RMSEA = .06$ ). Computation of the chi-square differences test between Models 2 and 3 revealed that the two models differed only slightly in fit (critical  $\chi^2(4) = 9.49$ ,  $p < .05$ ; obtained  $\chi^2$  value = 6.49). Importantly, these analyses also demonstrated that the total effect of diversity climate perceptions on turnover intentions increased from  $-.08$  to  $-.21$  ( $p < .001$ ) for Hispanics and from  $-.22$  to  $-.27$  ( $p < .001$ ) for White women. The nature of this relationship, however, for Black and White male managers virtually was unchanged, as total effects were  $-.39$  and  $-.27$ , respectively (both  $ps < .001$ ). In addition, the bivariate correlations between diversity climate perceptions and turnover intentions were negative for Blacks ( $r = -.38$ ,  $p < .001$ ), White men ( $r = -.29$ ,  $p < .001$ ), White women ( $r = -.23$ ,  $p < .001$ ), and Hispanics ( $r = -.07$ ,  $ns$ ). Apparently, the direct path from diversity climate perceptions to turnover intentions suppressed the mediation pathway among Hispanic and White female managers (see Maassen & Bakker, 2001 for further explanation of this phenomenon).

Utilizing the full mediation Model 3, subgroup tests of the total effects of diversity climate perceptions on turnover intentions demonstrated significantly stronger effects for Blacks than White men ( $t = -2.83$ ,  $p < .01$ ), White women ( $t = -2.83$ ,  $p < .01$ ), and Hispanics ( $t = -4.24$ ,  $p < .001$ ), who in turn, did not differ from one another ( $t = .00$ ,  $-1.41$ , and  $-1.41$ , respectively, all  $ns$ ). These findings partially support Hypotheses 1 and 2. Across racial subgroups, the full path model accounted for between 48% and 55% of the variance in turnover intentions.

Because participants were nested within work groups, we explored whether nonindependence could have impacted our conclusions. According to Bliese and Hanges (2004), nonindependence in data observations, such as aggregate- or group-level perceptions of diversity climate (Level 2), may downwardly bias results regarding a variable's individual-level effect on an outcome variable (Level 1). To address this concern, we computed the intraclass correlation (1;  $ICC(1)$ ) for each department to assess "the level of individual-level variance that can be explained by the group-level properties of the data" (Bliese & Halverson, 1998, p. 168). In all instances, the magnitude of  $ICC$  values was small, less than .06, with virtually all  $ICC$  values in the .02-.03 range. Simulation work by Bliese and Hanges (2004) suggests that Level 1 inferences are most likely to be affected by nonindependence when  $ICCs$  are moderate to large, greater than .15. When  $ICC$  values are very low, as is the case in this study, they note that the effects of nonindependence will be "relatively trivial" (p. 414). In the Bliese and Hanges (2004) simulation, nonindependence also had a larger impact on inferences when sample sizes were low, from 5 to 10 members per group. In the present study, the average sample size for each department was greater than 100, further

suggesting that the hierarchical structure of the data had little impact on our conclusions.

### *Discussion*

The goal of the present study was to investigate racial differences in the role of diversity climate perceptions in predicting employee retention. Integrating insights gleaned from a variety of theoretical perspectives, we developed hypotheses concerning the relationships between employees' race, diversity climate perceptions, organizational commitment, and turnover intentions. We expected race to interact with diversity climate in predicting turnover intentions. In addition, we proposed that commitment was the mechanism mediating the race  $\times$  diversity climate relationship with turnover intentions. Compared to their White male and female and Hispanic counterpart, Blacks' diversity climate perceptions significantly were more associated with turnover intentions. Apparently, Black managers' diversity climate perceptions related to their level of commitment to the organization, which, in turn, correlated with their intentions to exit or remain with the company. In sum, diversity climate perceptions accounted for 15%, 7%, 7%, and 4% of the variance in turnover intentions for Blacks, White men, White women, and Hispanics, respectively.

Moreover, comparisons between White men and women and Hispanic managers revealed that the effects of diversity climate were slightly more pronounced among the White participants of either sex. Overall, diversity climate perceptions were significantly and negatively related to turnover intentions across all racial groups. This association was fully indirect, as a pro-diversity climate was associated with increased organizational commitment and reduced turnover intentions.

### *Study Contributions and Implications*

Our investigation makes a number of contributions to the organizational literature. The findings suggest diversity climate, or at least the perceptions thereof, influence employee retention. Thus, diversity climate perceptions might be useful in models of turnover. Confirmatory factor analyses revealed that diversity climate perceptions formed a distinct factor in the presence of organizational commitment and turnover intention items, suggesting that it represents a unique concern among employees. These perceptions were related to important precursors of turnover (i.e., organizational commitment and turnover intentions). Practically, it appears that diversity management is relevant to all employees, not just minorities, because pro-diversity climate impressions are related to favorable worker attitudes and reduced turnover intentions. Therefore, enhancing

employees' diversity climate perceptions may have real bottom-line financial implications for firms by helping to reduce avoidable turnover costs.

Another contribution is the demonstration that members of all minority groups do not respond identically to a firm's diversity climate, which differs from other recent research showing no racial differences in the effects of diversity climate perceptions (Hopkins, Hopkins, & Mallette, 2001). This result is a potential springboard to advance theory concerning the organizational attitudes and behavior of racial minorities (Thomas, Phillips, & Brown, 1998). For instance, our findings question the equal applicability Cox's (1994) interactional model of cultural diversity (IMCD) across minority groups. Utilizing social identity, structural symbolic interactionism, and racial identity theories, we were able to extend IMCD by proposing, *a priori*, racial differences in the effects of diversity climate perceptions on turnover intentions. We are hopeful that our study precipitates additional work of this kind in the diversity and OBHRM areas.

It is also of practical importance to recognize that minority groups may differ in reaction to the racial context they experience at work, and interventions designed to address them should be tailored to suit the needs of each group. A "one size fits all" approach to diversity management may not suffice. Our findings suggest firms pay greater attention to the diversity climate concerns of Black employees, given their heightened sensitivity to racial conditions in the work environment. Firms that fail to address these issues could be fraught with high Black employee turnover; yet, study results also suggest taking steps to improve diversity climate perceptions among Blacks will have the added benefit of reducing turnover intentions for other employee racial (and gender) subgroups. Organizational efforts in this regard could take the form of increased minority recruitment, access to training and development opportunities, input from minority employees' on work-related issues, and valuing of diversity at the firm and work-group levels (McKay & Avery, 2005; Roberson & Stevens, 2006). Importantly, the conclusion that diversity climate perception effects on turnover intentions were mediated by organizational commitment implies potential relationships with other important organizational outcomes such as job performance, absenteeism, voluntary turnover, and organizational citizenship behaviors, all significant correlates of work attitudes (Harrison, Newman, & Roth, 2006).

Unexpectedly, the total effects of diversity climate perceptions on turnover intentions did not differ appreciably between White and Hispanic subgroups. This outcome could have occurred due to minority group differences in experiences within organizations. Existing studies show that Blacks report greater workplace discrimination than Hispanics (Bell et al., 1997). In response, they may develop greater value for diversity

than Hispanics, thus explaining the weaker relationship between diversity climate perceptions and turnover intentions among the latter group. This is likely considering the decidedly negative stereotypes of Black workers (Heilman et al., 1992; Kirschenman & Neckerman, 1991) and their relatively higher racial identification (Phinney, 1992; Utsey et al., 2002; Wright & Littleford, 2002).

A final contribution of the present study is that it provides additional evidence that fostering a pro-diversity work climate need not come at the expense of producing more negative attitudes and behaviors among White employees (e.g., Parker, Baltes, & Christiansen, 1997). In fact, corroborating prior research (Hopkins et al., 2001; Kirby & Richard, 2000), we found significant, negative total effects of diversity climate perceptions (mediated by organizational commitment) on White men and women's turnover intentions. Surprisingly, the reduction in turnover intentions associated with a work environment perceived as pro-diversity was slightly higher among White than Hispanic managers.

#### *Limitations and Future Research*

Despite the contributions discussed above, this study has limitations that should be noted. First, the primary data for the investigation came from a single, Intranet-administered organizational survey, making it possible that common-method variance inflated relationships between variables (Podsakoff et al., 2003). Confirmatory factor-analytic results showed that a method model did not improve upon the fit of our hypothesized three-factor model, thus minimizing common-method bias as an alternative explanation for our findings. Furthermore, the results showed that study constructs were related to one another in a theoretically consistent manner. To inhibit the occurrence of common-method bias, future studies in this area should collect data using multiple methods (e.g., interviews, surveys, peer reports, etc.), and perhaps, temporally separate the measurement of predictor and criterion variables.

Second, the study was conducted in a single organization, which raises the likelihood of reduced variance in diversity climate perceptions due to the normative influence of a single organizational culture (Davis-Blake & Pfeffer, 1989). Examining the effects of diversity climate on minority turnover across organizations would allow for greater variability in the diversity climates encountered by these employees. Such a multifirm investigation could result in stronger relationships among diversity climate perceptions, organizational commitment, and turnover intentions. In addition, the extremely high response rate for our study, relative to typical OBHRM research (Schwab, 1999), could have implications for the external validity of our findings. Managers' high willingness to complete the

organizational survey could represent some idiosyncratic attribute of the firm. In relation, the findings obtained for Hispanic managers may be sample specific. These concerns underscore the need for replication in other firms to assess the generalizability of results.

Third, racial-group nonresponse was evident in our dataset. Consequently, the results may be biased in some manner. We did find that managers who failed to identify their racial group membership reported lower pro-diversity climate perceptions, weaker organizational commitment, yet lower turnover intentions. Further data screening showed that the exclusion of racial-group nonrespondents did not reduce the variability of scale scores appreciably, as virtually identical variances were found with and without them in the dataset. Even if race nonresponse had some form of biasing effect on the findings, it would serve to *reduce* the likelihood of detecting significant interaction effects (e.g., McClelland & Judd, 1993). If anything, such nonresponse provided a more conservative test of our hypotheses.

A fourth concern was the use of turnover intentions as a proxy for voluntary turnover. Although turnover intentions are quite predictive of eventual turnover (Griffeth et al., 2000), a recent study by Allen, Weeks, and Moffitt (2005) uncovered several moderators of the turnover intentions/voluntary turnover link. Consequently, intentions may not fully translate into actual employee exit. Future work should attempt to extrapolate our findings to voluntary turnover.

A related issue was our use of a diversity climate perceptions scale with unknown construct validity. This issue was somewhat mitigated by the inclusion of items similar to those employed in previous diversity research (e.g., Mor Barak et al., 1998) and the lack of an established diversity climate measure as a validity standard. In addition, we were unable to assess the effects of diversity climate perceptions on turnover intentions relative to other climate perceptions such as service climate (Kopelman, Brief, & Guzzo, 1990). Although study findings generally confirmed theory-based predictions, additional research would be useful to determine whether our results hold for other measures of diversity climate and relative to other climate constructs.

A final limitation of our study is its cross-sectional nature. Although we discuss the relationship between diversity climate perceptions, commitment, and turnover intentions in a temporal fashion, a cross-sectional research design prohibits statements of causality. The strongest evidence of mediation effects is derived using experimental research designs (Spencer, Zanna, & Fong, 2005; Stone-Romero & Rosopa, 2004), thus suggesting future quasi-experimental designs as a useful extension of this study. Longitudinal studies are needed to further explicate the antecedents of diversity

climate perceptions and assess how these perceptions affect organizational outcomes over time.

### Conclusion

At the beginning of this article, we proposed that diversity climate perceptions might be the key to understanding racial differences in employee retention. These results suggest that this is indeed the case, as racial differences emerged in how diversity climate perceptions related to turnover intentions. Primarily, diversity climate perceptions exhibited mediated effects on turnover intentions through organizational commitment. Although the strength of association varied by race, the total effect of diversity climate on turnover intentions was negative across all racial groups. In short, diversity climate perceptions appear to be a key to employee retention in general.

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## APPENDIX A

### *Study Survey Scales*

#### Turnover Intentions (developed for current study)

1. Hardly ever think about leaving.
2. Would take a lot to get me to leave the company.

#### Diversity Climate Perceptions (developed for current study)

1. Recruiting from diverse sources.
2. Offer equal access to training.
3. Open communication on diversity.
4. Publicize diversity principles.
5. Offer training to manage diverse population.
6. Respect perspectives of people like me.
7. Maintains diversity-friendly work environment.
8. Workgroup has climate that values diverse perspective.
9. Top leaders visibly committed to diversity.

Organizational Commitment (developed for current study)

1. The company inspires me to do my best work everyday.
2. The company motivates me to contribute more than is normally required to complete my work.
3. I would recommend the company as a place to work.
4. I rate the company highly as a place to work.

Job Satisfaction (Brayfield & Rothe, 1951)

1. At this very moment, I am enthusiastic about my work.
2. Right now, I feel fairly satisfied with my present job.
3. At present, each minute at work seems like it will never end (reverse-coded).
4. At this moment, I am finding real enjoyment in my work.
5. Right now, I consider my job rather unpleasant (reverse-coded).

Organizational Commitment Questionnaire (Mowday, Steers, & Porter, 1979)

1. I am willing to put a great deal of effort beyond that normally expected in order to help this organization be successful.
2. I talk up this organization to my friends as a great organization to work for.
3. I feel very little loyalty to this organization (reverse-coded).
4. I find that my values and the organization's values are very similar.
5. I am proud to tell others that I am part of this organization.
6. This organization really inspires the very best in me in the way of job performance.
7. I am extremely glad that I chose this organization to work for over others that I was considering at the time I joined.
8. Often, I find it difficult to agree with this organization's policies on important matters relating to its employees (reverse-coded).
9. I really care about the fate of this organization.