Is it Spillover or Compensation? Effects of Community and Organizational Diversity Climates on Race Differentiated Employee Intent to Stay

Barjinder Singh · T. T. Selvarajan

Abstract Business ethics scholars have long viewed organizational diversity climate as a reflection of organizational ethics. Previous research on organizational diversity climate, for the most part, has neglected to consider the influence of community diversity climate on employment relations. In order to address this gap in the literature, we examined the relationship between organizational and community diversity climates in impacting employees' intent to stay with their organization. In doing so, we tested two competing hypotheses. First, we tested for the positive spillover of community diversity climate on employees' intent to stay in their organization. Second, we tested for the compensation hypothesis, whereby community diversity climate moderated the organizational diversity climate-employee intent to stay relationship, with the above relationship being stronger for individuals hailing from communities with poor diversity climates. In addition, we also posited a three-way interaction model of community diversity climate, organizational diversity climate, and employee racial affiliations with the interaction between organizational and community diversity climates on intent to stay being stronger for the minority employees. The results of the study, which are based on a survey of 165 employees working in a Midwestern US organization, supported the compensation hypothesis with the interactive influence of organizational and community diversity climates on employee intent to stay being stronger for minorities, as opposed to White employees.

B. Singh (✉) · T. T. Selvarajan
School of Business Administration, University of Houston-Victoria, 14000 University Blvd, Sugar Land, TX 77479, USA
e-mail: singhb9@uhv.edu

T. T. Selvarajan
e-mail: selvarajant@uhv.edu

Introduction

Provision of a climate that is conducive to employees belonging to diverse racial and ethnic groups is a reflection of organizational ethics (Gilbert, Stead and Ivancevich 1999). Respecting and valuing employees' memberships to diverse ethnic and racial groups is often espoused as a key organizational value (Homan et al. 2007). Business ethics scholars have also asserted that a diverse work environment contributes to more ethical decision making and, consequently, a more ethical organization (Reidenbach and Robin 1991). The provision of supportive climates, such as a supportive diversity climate, is not just a moral imperative on the part of organizations, but it also supports one of the basic human rights without which it is nearly impossible to "acknowledge the respect and dignity" of human beings (Kant 1959; Malone and Goodin 1997, p. 1697). Changing workforce and societal demographics have made it an important business necessity for organizations to value and manage diversity efficiently.

The proper management of diversity plays an important role in shaping employee attitudes and behaviors, and influences employee turnover, an important employee outcome. Employee turnover is one of the major problems that organizations have to grapple with. In spite of the debilitating economy, it has been reported that more employees have quit their jobs than were laid off by their employers (Daniels 2010). While new job creation is good news for the overall economy, the associated employee turnover is suggestive of the plight of organizations as they are required to replace the

lost talent. Employee departure not only poses a serious threat to talent retention, but also wreaks huge financial burdens on organizations (McKay et al. 2007). The cost of replacing an employee can range from 30 % of an entry-level employee's annual salary to 400 % for a specialized or high-level employee (Blake 2006).

Although turnover researchers have suggested several models of employee retention (cf., Holtom et al. 2008; Griffeth et al. 2000; Lee and Mitchell 1994; Maertz and Campion 1998), a majority of these models either focus on the organization or the employee. The role of extra-organizational factors in influencing employee intentions to stay has often been neglected (for exceptions, see Lee et al. 2004; Mitchell et al. 2001). Extra-organizational or non-work influences, which can either be sourced from the family domain or the domain of one's residential community, have a strong impact on several psychological and behavioral work outcomes (Eby et al. 2005; Lee et al. 2004; Mitchell et al. 2001; Price 1985; Ragins et al. 2010; Voydanoff 2007). While the impact of family domain on work has been adequately captured (Eby et al. 2005; Edwards and Rothbard 2000; Friedman and Greenhaus 2000; Ilies et al. 2009; Stevanovic and Rupert 2009; Zedeck 1992), the influence of community on work life has hardly been explored, with a few notable exceptions (Pugh et al. 2008; Ragins et al. 2010).

In the present study, by defining community as the geographical area where an individual primarily resides (e.g., town or neighborhood; Gusfield 1975), we examine the influence of community diversity climate on individual intentions to stay with the employing organization.

Our definition of community diversity climate runs parallel to the definition of organizational diversity climate. Organizational diversity climate is defined as employees' evaluation of their organization's stand on diversity, i.e., whether the organization treats employees from different races and ethnicities equally and undertakes efforts to integrate the racial and ethnic minorities with the rest of the workforce (McKay et al. 2007, 2008). Similarly, in the community context, diversity climate is defined as the extent to which an individual perceives his or her geographical community values diversity and is acceptable of racial and ethnic differences (Ragins et al. 2010).

Within the organizational context, the importance of a supportive diversity climate has already been established not only for racial and ethnic minorities, but also for their majority counterparts (e.g., McKay et al. 2007, 2008). Since workplaces and communities are becoming increasingly diverse in terms of race and ethnicity, diversity researchers can no longer choose to be astigmatic and singularly consider the organization; rather, they must also study the role of community diversity climate in shaping employment relationships (McKay et al. 2008; Ragins et al.

2010; Shore et al. 2009). Community has long been identified as a significant component of the nonwork domain, and community characteristics have been reported to influence work attitudes and behaviors (Near et al. 1980). Although recent scholarly research has illustrated a resurgence of interest in the examination of community influences on the work domain (e.g., Pugh et al. 2008; Lee et al. 2004; Mitchell et al. 2001; Ragins et al. 2010), the role of community diversity climate on work attitudes and behaviors is relatively underexplored.

Accordingly, the primary objective of our research is to clarify the mechanisms through which community diversity climate shapes employee intent to stay. Specifically, we examine how community diversity climate works in conjunction with organizational diversity climate in influencing employee intent to stay. In order to achieve this objective, our study draws upon the work-life frameworks of spillover and compensation theories (Edwards and Rothbard 2000). Spillover theory suggests that experiences in one domain influence individual behaviors in another domain (Edwards and Rothbard 2000). Compensation theory, on the other hand, suggests that if something of value and interest is lacking or is unattainable in one domain, then to seek its replenishment, individuals turn toward another domain (Edwards and Rothbard 2000).

The second objective of our study is to illustrate the role of individual racial affiliations in shaping employee intent to stay depending upon the interaction between the organizational and community diversity climates. Social and racial identity theories (e.g., Phinney 1992; McKay et al. 2007) suggest that race can be an important factor in shaping employee opinions toward diversity climate and subsequent employee outcomes. Finally, based on the perspective of the interactional model of cultural diversity (IMCD; Cox 1994), our study also replicates extant research by examining the relationship between organizational diversity climate and employee's intent to stay with their organization.

In the achievement of the above objectives, our study makes three contributions to the diversity and employee retention literatures. First, it clarifies the mechanism that facilitates the influence of community diversity climate on employee retention in terms of both main effect and as a moderator. Spillover and compensation are two renowned mechanisms of work-life interface (Edwards and Rothbard 2000), and by putting these mechanisms to a simultaneous empirical test, our study offers new insights to turnover and diversity scholars regarding the role of community in work life. Simultaneous examination of *both* theoretical perspectives is an important step in broadening our understanding of the role played by organization and community interface and in strengthening the theoretical basis for understanding the mechanism of community-to-work influence.

The second contribution of our study lies in understanding of the disparity between racial majorities and minorities in appreciating the organizational and community diversity contexts. Supportive organizational climates are important for all employees, but research has also shown that for racial minorities, supportive climates matter even more (e.g., McKay et al. 2007; Singh and Winkel 2011). Building further on the above assertion, we propose that the interaction between organizational and community diversity climates will also be relatively more important for racial minorities, and is something that both organizational researchers and practitioners must always remember in order to efficiently manage diversity at work.

Third, our study also contributes to both the management and community psychology literatures by highlighting the importance of supportive contexts not only at work, but also within the geographic community. As mentioned earlier, several organizational scholars have called for the inclusion of community variables in organizational research (e.g., Pugh et al. 2008; Shore et al. 2009), and by studying the relationship between the influence of community diversity climate on organizational diversity climate and employee retention, this research addresses the call of management researchers by providing a more enriched framework for studying organizational issues.

Literature Review and Hypotheses

Research on organizational and community climates has demonstrated that both objective characteristics and subjective experiences are instrumental in making employees and community members feel included within their surroundings (e.g., Collins and Smith 2006; McMillan and Chavis 1986; Nembhard and Edmondson 2006; Ragins et al. 2010; Sarason 1974; Singh and Winkel 2011). Extant research has also shown that a firm's psychological climate, which is defined as "cognitive appraisals of environmental attributes in terms of their acquired meaning and significance to the individual" (James et al. 1990, p. 54), forms the basis of employees' evaluation of their organization and consequently shapes employee behaviors. Similarly, a firm's diversity climate, which stands for employees' evaluation of organizational stand on diversity, also plays a significant role in shaping employee behaviors (Hicks-Clarke and Iles 2000; McKay et al. 2007). Based on Cox's IMCD model (1994), in a given diversity climate, individual behaviors are a result of the complex interactions between the individual and his/her work environment. According to Cox, a firm's pro-diversity climate is such a powerful resource that, in addition to shaping employee behaviors, it also influences organizational outcomes.

Positive organizational contexts such as supportive diversity climate help in the creation of a socially integrated workforce and act as a source of motivation for all employees (Cox 1994; Singh and Winkel 2011). These climates not only encourage employees to do better, but also contribute toward the organizational bottom line (Cox 1994; McKay et al 2009). Conversely, research has also shown that in organizations where diversity is not valued, employees often feel intimidated by the adverse organizational climate, which impairs individual confidence and forces them to restrict their behaviors (Ilgen and Youtz 1986; Foley et al. 2002). Poor diversity climate can make employees suspicious and weary of their organization, so much so that employees are willing to sever their bonds with their employer (Federal Glass Ceiling Report 1995; Foley et al. 2002; McKay et al. 2007). Therefore, we propose that positive organizational contexts, such as supportive organizational diversity climate, are instrumental in determining employee retention.

Hypothesis 1 Supportive organizational diversity climate is positively associated with employee intent to stay.

One of the dominant frameworks linking work and nonwork domains is spillover theory. Spillover theory captures the mutual influence of work and nonwork domains on each other (Edwards and Rothbard 2000; Ilies et al. 2009). Two forms of spillover have been reported in extant research. The first type of spillover deals with the similarity between two domains, whereby a construct in one domain is related to a "distinct but related construct" in the other domain (e.g., job satisfaction in the work domain is positively associated with family satisfaction in the family domain) (Edwards and Rothbard 2000, p. 180; Rothbard and Dumas 2006). The second form of spillover entails the interconnections between work and nonwork domains, due to which experiences in one domain influence behaviors in the other domain (Edwards and Rothbard 2000; Ilies et al. 2009; Rothbard and Dumas 2006). Between the domains of work and family, spillover theory has generated vast amounts of evidence favoring both affective and behavioral spillovers between the two domains (Eby et al. 2005; Edwards and Rothbard 2000; Ilies et al. 2009; Rothbard and Dumas 2006; Stevanovic and Rupert 2009; Zedeck 1992).

In addition to the domains of work and family, the prospect of spillover has also been recently highlighted between work and community domains, particularly under the perspective of job embeddedness theory (Mitchell et al. 2001; Lee et al. 2004) which states that individual attachment at work is not just a function of on-the-job factors, rather off-the-job or community factors play an equally pivotal role. Individual connections within the geographic community, perceived compatibility with the community

members, and perceived cost of leaving the community are not only instrumental in determining an individual's entrenchment within the community, but also shape individual behaviors at work, such as individual retention (Lee et al. 2004; Mitchell et al. 2001). Empirical research on job embeddedness also substantiates the above claims, whereby community embeddedness has been found to influence turnover intentions and volitional absences from work (Lee et al. 2004).

As additional evidence of nonwork-to-work spillover, Kirchmeyer (1992) also reported spillover between work and community lives, whereby involvement in community roles was reported to influence competency development in organizational roles. According to Kirchmeyer (1992, 1993), nonwork roles relate strongly to individual work values and aid in the generation of novel work ideas and job performance. It has also been suggested that resources that one garners in the community domain are positively associated with individual performance in organizational roles (Kirchmeyer 1992; Voydanoff 2001). For example, community social capital has been found to be positively associated with job performance and entrepreneurial success (Voydanoff 2001). Therefore, based on the perspective of spillover theory, we propose that diversity-related experiences within the community domain influence individual behaviors at work, such as individual intent to stay with the employing organization.

Hypothesis 2 Supportive community diversity climate is positively associated with employee intent to stay.

In addition to spillover, we also expect community diversity climate to moderate the positive organizational diversity climate-employee intent to stay relationship, such that the above relationship will be stronger for those individuals who witness an adverse diversity climate within their community setting. The theoretical rationale for this proposition is based on the framework of compensation theory from the work-life literature (Edwards and Rothbard 2000). Within the work-nonwork literature, in addition to spillover, compensation has been regarded as another important mechanism linking the two domains (Edwards and Rothbard 2000; Rothbard and Dumas 2006). According to compensation theory, when individuals experience a deficiency of a resource in one domain, then, in order to make-up for the missing resource, they turn their focus to the other domain (Edwards and Rothbard 2000). For example, if individuals witness dissatisfaction in one role, then in order to compensate, they either ascribe less importance to that role or they resort to another role that is more satisfying (Edwards and Rothbard 2000).

In today's society, individuals are increasingly required to perform multiple roles in the work, family, and community domains, and compensation can help them to offset

dissatisfaction in one domain by seeking satisfaction in the other domain (Burke and Greenglass 1987; Zedeck 1992). Two forms of compensation mechanisms have been illustrated in extant literature (Edwards and Rothbard 2000). Under the first form of compensation, when individuals are not able to reap satisfaction in a given role (or domain), they may choose to decrease their involvement in the potentially dissatisfying domain and increase involvement in a more satisfying domain. In this context, *involvement* is defined as time spent or attention devoted based on the perceived importance of a domain (Edwards and Rothbard 2000). The second form of compensation is associated with the pursuit of rewards, whereby, based on the paucity of rewards in one domain, an individual's focus shifts toward the domain where those rewards can be easily procured (Evans and Bartolome 1986; Kando and Summers 1971; Zedeck 1992).

Building further on the idea of compensation, we assert that the provision of supportive diversity climate, which is both a reward and a resource, is sought after by almost all employees (McKay et al. 2007). However, if in a particular domain—work or community—diversity climate is adverse, then an individual may shift his/her focus toward the other domain where the climate for diversity is highly supportive. Particularly, we propose that supportive diversity climate at work is of paramount importance as a compensating factor for those individuals who experience an adverse diversity climate within their community context. Disappointed with adverse diversity climate within the community, such individuals turn to their organization for a more supportive diversity climate. Consequently, upon experiencing a supportive diversity climate at work, these individuals would feel more willing to stay with their current employer. On the contrary, when individuals experience a supportive community diversity climate, they do not feel the need to shift their involvement away from the community domain to the organizational domain; accordingly, organizational diversity climate is less important in shaping their intentions to stay with their organization. Therefore:

Hypothesis 3 Community diversity climate will moderate the positive organizational diversity climate and employee intent to stay relationship, such that the above relationship is stronger when the perceived community diversity climate is more adverse than supportive.

Interaction of Race and Organizational and Community Diversity Climates on Employee Intent to Stay

In the preceding section we proposed that the relationship between organizational diversity climate and employee intent to stay will be moderated by community diversity climate, and that the above relationship would be stronger

for those who endure an adverse diversity climate within their community. In the current section, we propose that in the determination of employee intent to stay, the interaction between organizational and community diversity climates will be stronger for minorities than Whites. In other words, we propose a three-way interaction among individual racial affiliations, organizational diversity climate, and community diversity climate in the prediction of employee intent to stay. The theoretical rationales that we deploy to justify this hypothesis are borne out of social and racial identity theories (Phinney 1992; Stryker 1968; Tajfel and Turner 1979, 1986).

Existing research on diversity management suggests that diversity climate perceptions vary based on racial affiliations (e.g., Kossek and Zonia 1993; McKay et al. 2007). For minority employees, their racial identities are more salient, and thus, these employees are more likely to favor contexts that help to further affirm and strengthen their racial identities (McKay et al. 2007; Singh and Winkel 2011). Research has also shown that racial prejudice and discrimination are still quite pervasive in our society, not only within our workplaces, but also within our communities (e.g., Bobo and Fox 2003; Feagin and McKinney 2003; Feagin 1991; Utsey Chae et al. 2002). As a consequence of this discrimination, racial minorities, who are relatively more sensitive to the treatment they receive in organizations and society, are forced to succumb to a peripheral status (Singh and Winkel 2011). Therefore, if minorities are provided with an organizational context that is supportive of diversity, they are bound to value it more. Furthermore, for racial minorities who experience an adverse diversity climate within their residential communities, the appreciation for supportive organizational diversity climate would be the greatest. Pro-diversity work climate acts as a soothing respite for the racial minorities who are subjected to painful community diversity-related experiences, and consequently, they are more willing to indulge in behaviors that favor their employing organization.

Conversely, for Whites, race may not be as salient a factor in the identification of the self (McKay et al. 2007; Singh and Winkel 2011), and they would be less affected by organizational diversity climate irrespective of their community's stance on the value of diversity. Empirically, as evidence of the three-way interaction involving race, diversity climate, and supervisor-subordinate similarity, Avery et al. (2007) reported a strong negative relationship between perceived organizational value for diversity and employee absence per year for minority employees (particularly Blacks) who had a supervisor belonging to the same race/ethnicity. Therefore, we propose that the community diversity climate moderated organizational diversity climate-employee intent to stay relationship will be stronger for minorities, as opposed to Whites.

Hypothesis 4 The interactive effect of organizational diversity climate and community diversity climate on employee intent to stay will be stronger for minority employees than Whites.

Methods

Data Collection, Survey Administration, and Sample Characteristics

Employees of a Midwest-based US mid-sized organization served as the sample for this study. Out of the 500 employees who were contacted, 165 responses were received, with a response rate of 33 %. Surveys were distributed electronically by means of Qualtircs.com. Individualized e-mails, with an embedded survey link, were sent to all employees; in addition, two reminders were also sent to the employees. The racial composition of the employees was as follows: 100 employees were Whites (61 %) and the remaining 65 employees belonged to various racial minority groups such as Hispanics, African Americans, Asians, Multi-racial, etc. The average age of the employees was 41 years; 72 % were male and 66 % were married. The average organizational tenure for the employees was 8.6 years.

Measures

Measures used in this study were taken from previously validated studies, and a five point Likert scale (1 = "Strongly Disagree" to 5 = "Strongly Agree") was used for data collection.

Organizational Diversity Climate

To measure organizational diversity climate, we used the four-item scale developed by McKay et al. (2008). A couple of sample items from this scale are, "I trust this organization to treat me fairly," and "This organization maintains a diversity friendly work environment." The measure was reliable with Cronbach's alpha of 0.86.

Employee Intent to Stay

To measure employee intent to stay, we used the three-item intent-to-stay scale developed by Kim et al. (1996). This scale is positively worded and assesses individual intentions to stay with their current employer. A couple of sample items from this scale are, "Under no circumstances I would voluntarily leave this organization," and "I plan to stay in this organization for as long as possible." The scale had a Cronbach's alpha of 0.72.

Community Diversity Climate

Community diversity climate was measured with a five-item community diversity climate index (CDCI) developed by Ragins et al. ([2010](#)). In the survey, the definition of community was provided to the individual respondents as the geographical area where the respondents primarily resided, such as city, neighborhood, or town. A couple of sample items from this scale are, "My community welcomes people of different races and ethnicities," and "People of different races and ethnicities would want to move to my community." The Cronbach's alpha for the CDCI was 0.94.

Race

Individual racial affiliations were self reported and respondents were asked to choose from one the following categories: Caucasian, African-American, Hispanic, Native-American, Asian, Multi-Racial, Pacific Islander, and other. Extant research on racial differences has reported that reactions of different racial minority groups tend to be fairly similar to organizational practices (e.g., Hopkins et al. [2001](#); Singh and Winkel [2011](#)). Therefore, we combined all the racial minorities to form a single racial minority category. Race was coded as follows, Whites = 0 and racial minorities = 1.

Control Variables

In this study, we controlled for *organizational tenure,* which was measured in months. Extant research on employee retention has indicated that tenure is positively associated with employee retention or negatively associated with turnover intentions (Griffeth et al. [2000](#); McKay et al. [2007](#)); therefore, we controlled for organizational tenure.

Results

Means, standard deviations, correlations, and coefficient alphas for the study variables are presented in Table [1](#).

Alphas for all the measures were satisfactory (greater than 0.70; Tabachnick and Fidell [2007](#)) as shown in the diagonal in Table [1](#).

Results for Hypotheses 1, 2, and 3 are given in Table [2](#). In support of Hypothesis 1, we found that diversity climate perceptions were positively associated with employee intentions to stay with the organization ($\beta = 0.35$, $p < 0.01$). Hypothesis 2, which predicted spillover of community diversity climate on employee intentions to stay, was not supported. In order to test for Hypothesis 3, the control variable (organizational tenure) was entered in the regression equation first, followed by the main effects in step 2, and then in step 3, we entered the interaction term. As illustrated in Table [2](#), Hypothesis 3 was supported. For those employees who experienced a poor community diversity climate, the supportive organizational diversity climate-employee intent to stay relationship was stronger ($\beta = -0.38$, $p < 0.05$). This relationship is also shown graphically in Fig. [1](#). Together, they provide evidence that for individuals hailing from communities with adverse diversity climate, a supportive organizational diversity climate compensates and positively influences their intent to stay.

Hypothesis 4 posits a three-way interaction among race, organizational diversity climate, and community diversity climate, whereby in the determination of employee intent to stay, the interaction between organizational and community diversity climates would be stronger for racial minorities than their White counterparts. Results for Hypothesis 4 are shown in Table [3](#). In order to test this Hypothesis, we entered the controls in step 1; all main effects were entered in step 2 and in step 3, all two-way and the three-way interaction terms were entered. Results indicate that the interaction between employee race $\times$ organizational diversity climate $\times$ community diversity climate is significant ($\beta = -0.95$, $p < 0.01$), which supports Hypothesis 4. This interaction has also been shown graphically in Fig. [2](#). Together, these indicate that for racial minorities, especially for racial minorities with poor community diversity climate, as the organizational diversity climate becomes more supportive, their intent to stay with their organization goes up.

Table 1 Means, standard deviations, correlations, and scale reliabilities

Variables	N	Mean	SD	1	2	3	4	5
Organizational diversity climate	165	4.10	0.75	(0.86)				
Community diversity climate	165	3.67	0.92	0.22**	(0.94)			
Intent to stay	165	3.45	0.96	0.41**	−0.05	(0.72)		
Race	165	0.39	0.49	0.24**	0.07	−0.14	–	
Organizational tenure	165	102.56	104.18	0.32**	−0.04	0.30**	0.11	–

** $p < 0.01$

Table 2 Summary of regression analysis for effects of organizational and community diversity climates on employee intent to stay

Variables	Step 1	Step 2
Hypothesis 1		
Control		
Organizational tenure	0.30**	0.19*
Main effect		
Organizational diversity climate		0.35**
F statistic	15.81**	19.62**
R^2	0.09	0.20
Adjusted R^2	0.08	0.19
ΔR^2	–	0.11**
Hypothesis 2		
Control		
Organizational tenure	0.30**	0.17*
Main effect		
Organizational diversity climate		0.39**
Spillover effect		
Community diversity climate		−0.13
F statistic	15.81**	14.29**
R^2	0.09	0.21
Adjusted R^2	0.08	0.19
ΔR^2	–	0.11**

Variables	Step 1	Step 2	Step 3
Hypothesis 3			
Control			
Organizational tenure	0.30**	0.17*	0.19*
Main effect			
Organizational diversity climate		0.39**	0.49**
Community diversity climate		−0.13	0.17
Interaction effect			
Organizational diversity climate × community diversity climate			−0.38*
F statistic	15.81**	14.29**	12.36**
R^2	0.09	0.21	0.24
Adjusted R^2	0.08	0.19	0.22
ΔR^2	–	0.11**	0.03*

$* \ p < 0.05; \ ** \ p < 0.01$

Although the relationships for Hypothesis 4 appear to be visually stronger for minorities than Whites, we also calculated a difference in slopes test, which indicated a significant difference in the slopes for lines representing minority employees with poor or low community diversity climates and Whites with poor community diversity climate ($t = 2.13$, $p < 0.05$). However, the difference in slopes between lines representing Whites and minorities with supportive diversity climates was not significant. In addition, we also found that a significant difference in slopes between minorities with poor community diversity climate and Whites with high or supportive community diversity climate ($t = 3.58$, $p < 0.01$).

Discussion and Conclusion

As organizations and societies are becoming more diverse, provision of a supportive diversity climate, where individuals can live and work with dignity, has become an absolute necessity. Work and community have long been recognized as interpenetrating spheres of human life, sharing a complex ecological relationship with each other (Price 1985). Therefore, the primary objective of this study was to clarify the role of community diversity climate in influencing employee retention at work. In order to make an accurate assessment of the mechanism through which community diversity climate influences employee retention
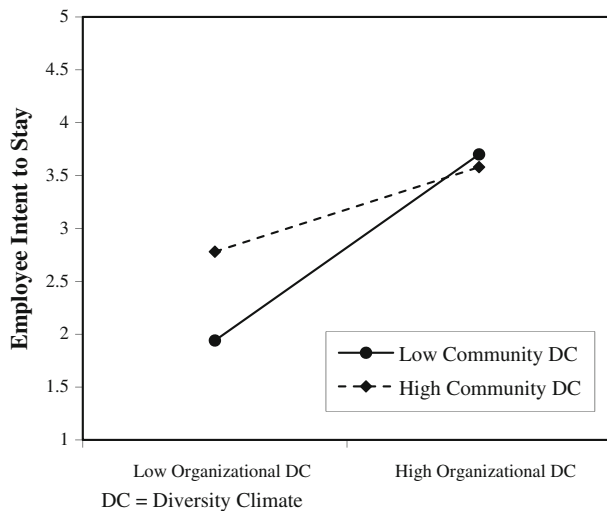
Fig. 1 Organizational and community diversity climate interaction in predicting employee retention
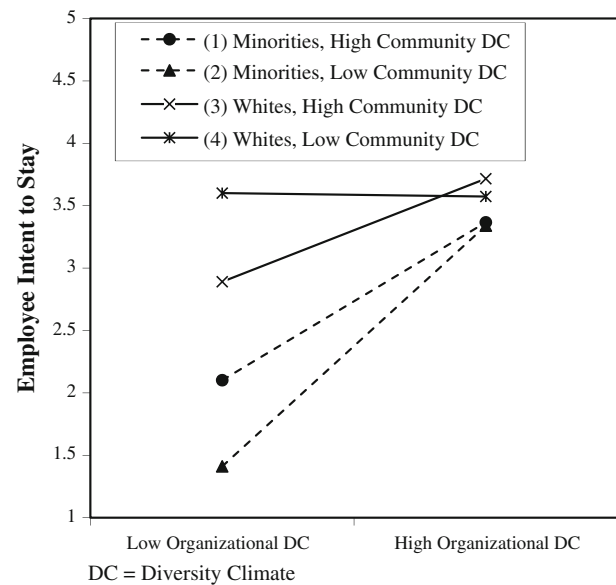
Table 3 Summary of regression analysis for three-way interaction among race, organizational and community diversity climates on employee intent to stay

Variables	Step 1	Step 2	Step 3
Hypothesis 4			
Control			
Organizational tenure	0.30**	0.18*	0.14
Main effects			
Organizational diversity climate		0.43**	0.38**
Community diversity climate		−0.12	0.04
Race		−0.25*	−0.45**
Interactive effects			
Organizational DC × community DC			0.07
Organizational DC × race			0.47**
Community DC × race			0.47**
Organizational DC × community DC × race			−0.95**
F statistic	15.81**	14.90**	11.25**
R^2	0.09	0.27	0.37
Adjusted R^2	0.08	0.25	0.33
ΔR^2	–	0.13**	0.08**

DC = Diversity climate

* $p < 0.05$; ** $p < 0.01$

Fig. 2 Three-way interaction of organizational, community diversity climates, and race in predicting employee retention

at work, we tested two of the most important work-non-work frameworks: spillover and compensation. Based on the perspective of spillover theory, we proposed a positive community-to-work spillover of supportive community diversity climate on employee intent to stay. Also, based on the framework of compensation theory, we proposed a moderating role of community diversity climate on the organizational diversity climate-employee intent to stay

relationship. Finally, we also tested for the three-way interaction among race, organizational and community diversity climates in the determination of employee intent to stay. In addition to the above hypotheses, the study also tested the relationship between organizational diversity climate and employee intent to stay.

Three key findings emerged from this study. First, we found a positive relationship between supportive diversity climate and employee intent to stay. This finding is in agreement with extant research (e.g., McKay et al. 2007), and reiterates the importance of organizational diversity climate in influencing employee retention. Second, in the investigation of the mechanism that facilities the influence of community diversity climate on employee retention, results of our study did not favor spillover, but were supportive of the compensation perspective. In support of the compensation theory, as hypothesized, we found that for individuals hailing from communities with adverse diversity climate, supportive organizational diversity climate was highly instrumental in strengthening their intentions to remain with their current employer. Conversely, we also found that intentions to stay with the employing organization were not as strong for those individuals who had already experienced supportive community diversity climate, even though at the organizational level, the climate for diversity was supportive. Finally, our study also found a significant three-way interaction among race, organizational and community diversity climates, with the relationship between organizational diversity climate and employee intent to stay being stronger for minority employees hailing from a poor community diversity climate.

Implications for Theory and Practice

The results of this study have significant implications for both the research and practice of management. As far as theoretical implications are concerned, the findings of our study both extend and enrich existing theory on the work-nonwork interface. First, the study reaffirms the relationship between organizational diversity climate and employee retention, and concurs with existing research (McKay et al. 2007). In the modeling of employee retention, in the organizational domain, it has already been established that positive climates at work play a significant role not just for minorities, but for all employees (e.g., McKay et al. 2007; Singh and Winkel 2011), and organizational inability to create supportive climates can prove to be very costly. Thus, by highlighting the importance of organizational diversity climates in influencing employment retention, our study strengthens the arguments made by previous researchers.

Second, in clarifying the role of community in organizational life, the study undertook a simultaneous examination of the two important work-life mechanisms of spillover and compensation and offers new insights to diversity and turnover researchers about the role of community in relation to work. With regard to the spillover perspective, the study did not garner support, but with regard to the compensation mechanism, the results are quite conclusive. Compensation has already been identified as an important work-life mechanism (Edwards and Rothbard 2000) and, in the determination of employee intent to stay, our study highlights the importance of supportive organizational diversity climate as a compensator for a poor community diversity climate. Thus, the results of our study offer valuable insights into the role of community in the modeling of employee retention. Finally, the significant three-way interaction also illustrates the importance of racial differences in modeling employee retention based on race differentiated appreciation of organizational and community diversity climates, and these differences are consistent with the prediction of social and racial identity theories.

The above findings also have important implications for organizational practitioners. First, the study reiterates the importance of inclusive and supportive climates in motivating employee intent to stay, which makes it imperative for organizations to work toward the creation of climates where employees feel included and connected. Second, contribution of this study relates to the compensating role played by organizational diversity climate in buffering against poor community diversity climate. This finding further necessitates the creation of supportive organizational diversity climates, which are of greater importance in communities with poor diversity climates. Finally, the

three-way interaction among race, organizational and community diversity climates further highlights the importance of racial differences in employees' appreciation of organizational and community contexts, which again strengthens the assertion that, when dealing with diversity, *one size does not fit all* (McKay et al. 2007). Therefore, in the interest of efficient management of diversity, while dealing with employees from different races and ethnicities, organizational practitioners need to be cognizant of the employee's race.

From the standpoint of business ethics too, our study has important implications. Provision of a supportive diversity climate is not just a moral obligation on the part of the organization, but it is also a basic human right (Malone and Goodin 1997). According to the rights theory (Kant 1959), people need to be treated by others in a respectful and dignified manner. If organizations, in their dealings with employees from diverse races and ethnicities, fail to respect individual rights, then "there is no way to acknowledge the respect and dignity" of human beings (Malone and Goodin 1997, p. 1697). Social entities, such as organizations and communities, are judged on the basis of values they uphold (Nicotera and Cushman 1995). Provision of a supportive climate for diversity not only provides a glimpse into the value system, but also paves the way for ethical organizational and community conduct (Grojean et al. 2004).

Limitations and Future Research

Like other studies, our study too has a few limitations that must be noted. First, our study only examines diversity climate from the standpoint of race and ethnicity. There are other forms of diversity, such as such as religious diversity, diversity in sexual orientation, etc., which we do not consider. It will be interesting to study organizational and community stances on other types of diversity and their subsequent linkages to individual work behaviors. This is something that future researchers may wish to consider. Second, the data for our study have been sourced from a single source via an electronic survey. This raises the probability of common-method bias, which might have inflated our results. However, the existence of interaction effects and the pattern of correlations among variables suggest that common-method bias may not be a serious concern (DiRenzo et al. 2011). However, in order to avoid any potential problems of common-method bias, future researchers may collect data from multiple sources like peers and supervisors. Third, our study represents a cross-sectional design, which impairs our ability to make an accurate assessment of the hypothesized relationships in the long term. In dealing with this issue, future researchers may plan and conduct longitudinal studies.

Conclusion

In conclusion, our study illustrates the importance of supportive diversity climates, both at work and within the community, in shaping individual work behaviors. If the climates we work and live in are toxic and intolerant of diversity, they can adversely influence employment relationships and individual intent to stay with the organization. Supportive organizational diversity climate not only ensure an employee's intent to stay, but also ensures employee retention by countering the negative influences of adverse community diversity climate. In addition, our study also highlights the importance of racial differences in the appreciation of organizational and community stances on the value of diversity and its subsequent impact on employee intent to stay.

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