

# The Influence of Educational Diversity on Organizational Performance: A Study of Commercial Banks in Kampala, Uganda

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**Abstract-** Workforce diversity has become an essential element for organizations worldwide seeking to thrive and maintain a competitive edge. This study investigated the influence of educational diversity on organizational performance in commercial banks in Kampala, Uganda. Using a descriptive research design with a quantitative approach, data was collected from 379 employees across ten commercial banks through self-administered questionnaires. The study found a strong positive correlation ( $r = 0.627$ ) between educational diversity and organizational performance, significant at the 0.01 level. Educational diversity explained 39.3% of the variance in organizational performance. Banks strongly considered education level in recruitment (mean = 4.13) and recognized the impact of diverse educational backgrounds on work quality (mean = 4.06). However, inclusion of employees with different education levels in decision-making scored relatively low (mean = 2.06), suggesting an area for improvement. The findings support the Resource Based View and Human Capital theories, demonstrating that knowledge and skills acquired through diverse educational backgrounds enhance organizational performance. The study recommends that banks maintain practices valuing educational diversity in recruitment, develop strategies to involve employees with diverse educational backgrounds in decision-making processes, and implement mentoring programs to facilitate knowledge sharing. These insights contribute to filling the gap in literature regarding the impact of educational diversity in the Ugandan banking sector and provide valuable guidance for managers and policymakers in optimizing workforce diversity strategies.

**Indexed Terms-** Educational Diversity, Organizational Performance, Commercial Banks

## I. INTRODUCTION

Workforce diversity has become an essential element for organizations worldwide seeking to thrive, maintain a competitive edge, and improve performance (Chaudhty et al., 2021). As globalization and technological advancements continue to shape the business landscape, organizations are increasingly recognizing the value of a diverse workforce in meeting the demands of a heterogeneous global market (Oshin et al., 2023). Educational diversity, in particular, has gained prominence as a critical aspect of workforce diversity, with organizations seeking to leverage varied knowledge, skills, and perspectives to enhance innovation and adaptability (Stella & Dumo, 2021).

In Uganda, the banking sector plays a crucial role in the country's economic development. The industry comprises 25 licensed commercial banks, including four indigenous banks and several foreign-owned institutions. As of 2022, the banking sector employed 19,362 individuals, with a higher percentage of females (52%) compared to males (48%) (UBA, 2022). Despite challenging economic conditions, the Ugandan banking industry has shown growth, with total assets increasing by 11.2% from UGX 41.4 trillion in FY 2021 to UGX 46.1 trillion in FY 2022 (Khatun & Ghosh, 2019).

However, the sector faces several challenges, including increasing competition, technological changes, and the emergence of alternative banking institutions. To succeed in this dynamic environment, commercial banks need to attract and retain a satisfied workforce. Yet, asymmetrical workforce composition hinders this goal, potentially affecting their competitive advantage (Mohamed, 2018). While studies have examined various aspects of workforce diversity in different contexts, there is a notable lack

of research specifically addressing educational diversity in Ugandan banks and its impact on organizational performance.

The purpose of this study is to investigate the influence of educational diversity on the organizational performance of commercial banks in Kampala, Uganda. Specifically, the research aims to determine how varying levels of education, technical experience, and soft skills among employees affect bank performance. The study hypothesizes that there is a significant positive relationship between educational diversity and organizational performance in Ugandan commercial banks.

This research is significant as it addresses a gap in the literature concerning educational diversity in the Ugandan banking sector. The findings will provide valuable insights for bank managers on leveraging educational diversity to enhance organizational performance. Additionally, the study will contribute to the broader understanding of workforce diversity in developing economies, offering implications for policy-makers and human resource practitioners in formulating strategies to optimize the benefits of educational diversity in the workplace.

By examining the relationship between educational diversity and organizational performance, this study aims to provide a foundation for future research and practical applications in the field of workforce diversity management in Uganda's banking sector and beyond.

## II. LITERATURE REVIEW

### A. Theoretical Framework

#### Resource Based View Theory

The Resource Based View (RBV) theory, proposed by Barney (1991), provides a foundational framework for examining workforce diversity and its impact on organizational performance. According to the RBV, a company's internal resources, particularly those that are valuable, rare, and inimitable, can be leveraged to implement strategies that lead to positive performance and sustained competitive advantage (Ahmed et al., 2019). In the context of educational diversity, the RBV suggests that a diverse workforce possessing varied

skills, capabilities, and knowledge adds economic value to the firm (Subhash & Archana, 2019). This diversity of perspectives and expertise can lead to more creative problem-solving, improved innovation, and better decision-making processes, ultimately enhancing the company's performance (Saranya, 2022).

#### Human Capital Theory

The Human Capital Theory, which posits that knowledge, skills, and abilities acquired through education and work experience constitute an organization's available human capital, also provides a relevant theoretical basis for this study. This theory suggests that organizations investing in their people's development can improve their performance and generate positive outcomes (Wang, 2022). In the context of educational diversity, the Human Capital Theory implies that a workforce with varied educational backgrounds and experiences provides organizations with a competitive edge due to the unique knowledge and abilities each individual brings (Huang et al., 2021).

### B. Empirical Literature Review

Concept of educational diversity Educational diversity refers to the differences in knowledge, training, skills, experience, and qualifications among employees in an organization (Wang, 2022). It encompasses not only formal education levels but also diverse professional qualifications, technical experiences, and soft skills (Alshemmari & Monawer, 2023).

Studies on educational diversity and organizational performance Empirical studies have yielded mixed results regarding the impact of educational diversity on organizational performance. Sultana et al. (2022) found that educational diversity significantly affects employee performance in the private banking sector of developing countries. Similarly, Stella & Dumo (2021) revealed a significant relationship between educational diversity and employee productivity in Nigerian deposit money banks. However, Hosny & Elgharbawy (2022) found no discernible impact of education on the financial success of firms in the United Kingdom.

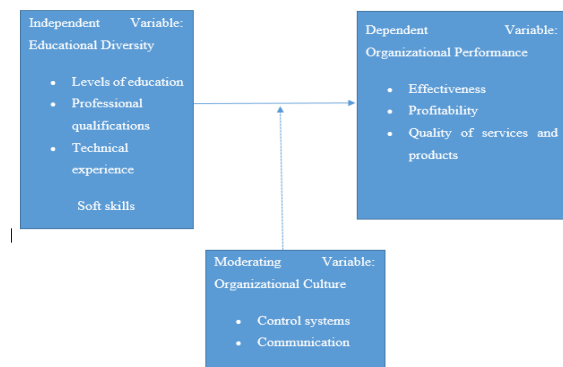
Impact of educational diversity on innovation, problem-solving, and decision-making Research

suggests that educational diversity enhances innovation, problem-solving, and decision-making within organizations. Mugwe & Moses (2020) found that education diversity contributes to skill mastery, consistency, innovation, and quality services, boosting employee productivity and enhancing organizational performance. The diverse perspectives and strategies brought by employees with different educational backgrounds help tackle specific organizational challenges more effectively (Van Overmeire et al., 2021).

Challenges in managing educational diversity  
Managing educational diversity presents several challenges. These include potential conflicts arising from different problem-solving approaches, communication barriers, and the risk of creating an inferiority complex among less educated employees (Zeng et al., 2019). Additionally, ensuring equitable career progression opportunities for employees with diverse educational backgrounds can be challenging (Daniel, 2019).

While numerous studies have explored educational diversity in various contexts, there is a notable lack of research specifically addressing its impact on the performance of commercial banks in Uganda. Most studies have been conducted in other countries or focused on different sectors, creating a contextual gap in understanding how educational diversity influences organizational performance in Uganda's banking sector.

*C. Conceptual Framework*



This conceptual framework provides a visual representation of the study's key variables and their

proposed relationships, guiding the empirical investigation of how educational diversity influences the performance of commercial banks in Kampala, Uganda.

III. METHODOLOGY

This study employed a descriptive research design with a quantitative approach to investigate the influence of educational diversity on organizational performance in commercial banks in Kampala, Uganda. According to Saunders (2002), descriptive survey design helps researchers to systematically examine organizational challenges and get relevant aspects of a situation using a unit study and inquiry. This design was chosen for its effectiveness in collecting unique data to describe a population that might be too large for direct observation (Singh, 2018).

The target population for this study consisted of 7,194 employees across ten commercial banks in Kampala, Uganda (UBA, 2022). These banks were selected based on their significant presence in the city and their diverse workforce. The population was stratified into five operational levels: CEOs, Executive management, senior management, supervisory staff, and other staff. This stratification ensured representation from all levels of the organizational hierarchy.

To determine the sample size, the study used Yamane's formula (1967) for sample size calculation, assuming a 95% confidence level and 5% level of accuracy. The resulting sample size was 379 respondents. The study employed a combination of sampling techniques. Purposive sampling was used for certain strata such as CEOs, executive management, and senior management, to intentionally select specific individuals crucial for the study's purpose. Simple random sampling was applied to other strata, such as supervisory and other staff, to ensure equal chance of selection and eliminate potential bias in the sample selection procedure (Singh, Ajay & Masuku, 2014).

Data collection was primarily conducted through self-administered questionnaires distributed to employees working in different departments of the selected commercial banks. The questionnaire was structured with closed-ended questions and utilized a 5-point

Likert scale to ensure consistency and ease of answering. The questionnaire covered various aspects of educational diversity, including levels of education, professional qualifications, technical experience, and soft skills, as well as measures of organizational performance. To supplement the primary data, the study also conducted a documentary review of secondary data from existing commercial bank reports, including HR audit reports, staff profiles, recruitment trends, and performance evaluations.

Before the main data collection, a pilot study was conducted with 38 participants (10% of the sample size) from three Centenary Bank branches in Kampala to assess the validity and reliability of the questionnaire. The content validity index (CVI) and Cronbach's Alpha were used to ensure the instrument's validity and reliability, respectively. The CVI results ranged from 0.774 to 0.801, while the Cronbach's Alpha for educational diversity was 0.781, indicating good reliability.

Data analysis was conducted using both descriptive and inferential statistics, facilitated by the Statistical Package for Social Sciences (SPSS) version 25. Descriptive statistics included measures of central tendency and dispersion to summarize the characteristics of the sample and the key variables. Inferential statistics involved correlation analysis to determine the strength and direction of the relationship between educational diversity and organizational performance. Additionally, simple and multiple linear regression analyses were conducted to assess the predictive power of educational diversity on organizational performance.

The study also performed several diagnostic tests to ensure the reliability of the regression analysis. These included tests for normality, autocorrelation (using the Durbin-Watson test), multicollinearity (using Variance Inflation Factors), and homoscedasticity. These tests helped ensure that the assumptions underlying the regression analysis were met, thereby enhancing the validity of the study's findings.

Throughout the research process, ethical considerations were prioritized. The study obtained necessary approvals, ensured informed consent from participants, and maintained confidentiality and

anonymity in data collection and reporting. This comprehensive methodology provided a robust framework for examining the relationship between educational diversity and organizational performance in Ugandan commercial banks, addressing the research objectives while adhering to rigorous scientific standards.

#### IV. RESULTS AND DISCUSSION

Descriptive statistics on educational diversity in sampled banks:

The study examined various aspects of educational diversity in the sampled commercial banks in Kampala, Uganda. Table 1 presents the descriptive statistics for key dimensions of educational diversity.

Table 1: Descriptive Statistics on Educational Diversity

Variable	Mean	Std. Deviation
Level of education considered in recruitment	4.13	1.103
Diverse professional qualifications	3.99	1.098
Education level impact on work quality	4.06	1.113
Collaboration among employees	4.02	1.105
Inclusion in decision-making	2.06	1.187
Training effectiveness	3.68	1.254
Opportunities for advancement	3.07	1.287
Value of punctuality	3.51	1.315
Consideration of work experience	2.62	1.354
Preference for long service	3.18	1.264
Experience aiding problem-solving	1.95	0.930
Performance of experienced employees	4.04	0.935
Matching experience to job position	3.16	1.371
Diverse experience contributing to innovation	4.07	1.099

The results indicate that banks strongly consider education level in recruitment (mean = 4.13) and recognize the impact of diverse educational

backgrounds on work quality (mean = 4.06). Employees with diverse experiences are seen as contributing significantly to innovation (mean = 4.07). However, inclusion of employees with different education levels in decision-making scored relatively low (mean = 2.06), suggesting potential areas for improvement in leveraging educational diversity.

Correlation and regression analysis results:

To examine the relationship between educational diversity and organizational performance, correlation and regression analyses were conducted. Table 2 presents the correlation results.

Table 2: Correlation between Educational Diversity and Organizational Performance

Variable	Correlation Coefficient	Significance
Educational Diversity	0.627**	0.000

\*\* Correlation is significant at the 0.01 level (2-tailed) The results show a strong positive correlation (r = 0.627) between educational diversity and organizational performance, significant at the 0.01 level.

Table 3 presents the simple linear regression results.

Table 3: Simple Linear Regression Results

Model	R	Adjusted R Square	Std. Error of the Estimate
1	0.627	0.393	0.54037

The regression analysis reveals that educational diversity explains 39.3% of the variance in organizational performance (R Square = 0.393).

Table 4: Coefficients of the Regression Model

Model	Unstandardized B	Std. Error	Standardized Beta	t	Sig.
(Constant)	1.058	0.252		4.200	0.000
Educational Diversity	0.839	0.073	0.627	11.435	0.000

The regression equation can be expressed as: Organizational Performance = 1.058 + 0.839(Educational Diversity)

Discussion of key findings in relation to literature:

The strong positive correlation (r = 0.627) between educational diversity and organizational performance aligns with previous studies that have found positive relationships between these variables. This finding supports the work of Sultana et al. (2022), who revealed that educational diversity significantly affects employee performance in the private banking sector of developing countries. It also corroborates the findings of Stella & Dumo (2021), who found a significant relationship between educational diversity and employee productivity in Nigerian deposit money banks.

The regression analysis shows that educational diversity explains 39.3% of the variance in organizational performance, indicating its substantial impact. This result underscores the importance of educational diversity as a key factor in organizational performance, as suggested by the Resource Based View theory (Ahmed et al., 2019). The theory posits that diverse educational backgrounds can be a source of competitive advantage, which is reflected in the strong predictive power of educational diversity on performance in this study.

The high mean scores for considering education level in recruitment (4.13) and recognizing the impact of diverse educational backgrounds on work quality (4.06) suggest that Ugandan commercial banks value educational diversity. This aligns with the Human Capital Theory, which suggests that knowledge and skills acquired through education contribute significantly to organizational performance (Wang, 2022). The recognition of diverse experiences contributing to innovation (mean = 4.07) further supports this theory, highlighting the role of varied educational and professional backgrounds in fostering innovation within organizations.

However, the low score for inclusion of employees with different education levels in decision-making (2.06) highlights a potential area for improvement. This finding suggests that banks may not be fully leveraging the diverse perspectives that educational

diversity can bring to problem-solving and decision-making processes, as proposed by Van Overmeire et al. (2021). This gap presents an opportunity for banks to enhance their performance by more actively involving employees with diverse educational backgrounds in key decision-making processes.

The relatively high mean for the performance of experienced employees (4.04) supports the findings of Huang et al. (2021), who emphasized the value of experience in enhancing individual and organizational performance. However, the lower mean for experience aiding problem-solving (1.95) suggests that there might be barriers to effectively utilizing this experience, which merits further investigation.

In conclusion, the results provide strong evidence for the positive influence of educational diversity on organizational performance in Ugandan commercial banks. The findings support key theories in the field and align with previous empirical studies. However, they also reveal opportunities for banks to more fully leverage this diversity, particularly in decision-making processes. These insights contribute to filling the gap in literature regarding the impact of educational diversity in the Ugandan banking sector and provide valuable guidance for managers and policymakers in optimizing workforce diversity strategies.

## V. CONCLUSION AND RECOMMENDATIONS

Summary of key findings:

The key findings are as follows:

1. A strong positive correlation ( $r = 0.627$ ) was found between educational diversity and organizational performance, significant at the 0.01 level.
2. Educational diversity explained 39.3% of the variance in organizational performance, indicating its substantial impact.
3. Banks strongly consider education level in recruitment (mean = 4.13) and recognize the impact of diverse educational backgrounds on work quality (mean = 4.06).
4. Diverse experiences were seen as contributing significantly to innovation (mean = 4.07).
5. However, inclusion of employees with different education levels in decision-making scored

relatively low (mean = 2.06), suggesting an area for improvement.

Implications for theory and practice:

These findings have several implications for both theory and practice:

1. Theoretical implications:

- The results support the Resource Based View theory, confirming that educational diversity can be a valuable, rare, and inimitable resource contributing to organizational performance.
- The findings align with the Human Capital Theory, demonstrating that knowledge and skills acquired through diverse educational backgrounds enhance organizational performance.

2. Practical implications:

- The strong correlation between educational diversity and performance underscores the importance of maintaining a diverse workforce in terms of educational backgrounds.
- The low score for inclusion in decision-making suggests that banks may be missing opportunities to fully leverage the benefits of educational diversity.

Recommendations for banks and policymakers:

Based on the findings, the following recommendations are proposed:

1. For banks:

- Maintain and enhance practices that value educational diversity in recruitment and recognize its impact on work quality.
- Develop strategies to more actively involve employees with diverse educational backgrounds in decision-making processes.
- Implement mentoring programs that facilitate knowledge sharing between employees with different educational backgrounds.
- Create opportunities for continuous learning and development to further enhance the benefits of educational diversity.

2. For policymakers:

- Develop policies that encourage educational diversity in the banking sector, such as incentives for banks that demonstrate inclusive practices.

- Support educational institutions in offering diverse programs that align with the evolving needs of the banking sector.
- Implement regulations that promote equal opportunities for career advancement regardless of educational background.

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