

# The Synthesis of Diversity Management Concept and Upper Echelons Theory

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**Abstract**—Diversity management and the Upper Echelons Theory (UET) are essential in analysing the need for specific leadership compositions to strategically impact enterprises' financial performance. Authors consider that diversity management emphasizes fostering inclusivity and social integration, whereas UET envisions that top management team (TMT) characteristics directly influence corporate decisions and financial outcomes. The article highlights synergies and identifies differences in approaches and future research directions, striving to interlink these concepts for the applicability in practice. This conceptual literature review examines academic articles, as well as PhD theses, selected by keywords. Studies on the Diversity Management (DM) concept and articles related to the Upper Echelons Theory (UET) were selected based on relevance. The findings suggest that diverse top management teams enhance strategic decision-making by integrating varied capabilities and knowledge in the team, which serves for better strategic decision-making, affecting the financial outcomes of the enterprise, and in particular, it is beneficial in times of crisis. Effective diversity management extends beyond demographic factors, setting the need to incorporate education, experience, and other cognitive attributes emphasized in UET. As an asset, there is also the need to look further at the social networks of top management team members, shaping management strategies and the financial performance of the Top management team members. Even though there is significant literature in the diversity management field, the links between surface-level and deeper-level diversity management are lacking. Studies often treat the concept of Diversity Management and UET as separate domains, except for gender issues, limiting the potential to integrate those insights fully. The article advocates a shift beyond the traditional concept of diversity, equity, and inclusion (DEI) perspectives and strives to develop an overarching understanding of diversity as a combination of surface-level diversity and competencies people acquire, by introducing a new concept - systemic diversity management.

**Keywords**— *Upper Echelons Theory, Diversity Management, Top Management Team, Financial performance.*

## I. INTRODUCTION

This article contributes to finding the coherent interlinkage between the need for the two frameworks, Diversity Management and Upper Echelons Theory, and proposes a more comprehensive approach to diversity management. Combining surface-level diversity with the characteristics of the Upper Echelons Theory, the authors offer a unifying approach for leveraging people's diversity to enhance enterprises' financial performance.

European enterprises face increasing pressure to respond to complex social, political, economic, and technological challenges. The economic changes are due to the proximity of human-made crises, such as war in Ukraine, and changes in perceptions about economic development in the United States of America and other markets. As enterprises seek to improve strategic performance and innovation, the composition and characteristics of top management teams (TMTs) have come under growing scrutiny. Two influential frameworks—**Diversity Management (DM)** and **Upper Echelons Theory (UET)**—offer important yet often separately applied insights into how leadership traits influence organizational outcomes. Since the early 60s and the foundation of the European Union, diversity management has emphasized inclusivity, representation, and leveraging workforce variety as a competitive advantage. Upper Echelons Theory posits that an organization's strategic choices and performance are based not only on leaders' demographic characteristics but also on their cognitive characteristics, education, risk appetite, decision-making style, and others.

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Despite the established benefits of both approaches, the existing literature often treats them in isolation, limiting their practical and theoretical integration. Recent studies suggest that diversity in leadership supports social inclusion goals and enhances decision-making quality, resilience, and financial outcomes, especially under conditions of uncertainty. However, challenges remain, such as finding ways to use the top management team's competencies, which might be more influential, using deep-level diversity traits, and providing a methodological approach in applying Upper Echelon Theory. Moreover, while UET has traditionally focused on surface-level traits such as age or tenure, it lacks tools to account for the complex, cognitive, and experiential differences that diversity management often highlights.

This article addresses these gaps by reviewing academic literature to explore how UET and DM can become an overarching framework and approach. It argues for a shift toward systemic diversity management, which incorporates both observable and deep-level characteristics of leaders and integrates them into strategic management processes of the enterprises. By interlinking or synthesizing characteristics set into the Upper Echelons theory of the top management teams with the diversity management concept, the article aims to provide a cohesive approach that reflects the realities of modern organizations and their need for diverse, strategically capable leadership teams.

## II. MATERIALS AND METHODS

This article used a conceptual literature review methodology appropriate for integrative synthesis. The article relies entirely on secondary sources; no primary data is collected. Its primary objective is to conceptually interlink the Diversity Management (DM) and Upper Echelons Theory (UET) frameworks by identifying their theoretical synergies, overlapping dimensions, and existing gaps. The review is designed to summarize existing knowledge and provide a critical and analytical synthesis of literature at the intersection of concepts of Diversity management and Upper Echelons Theory.

The authors employed a keyword-based selection strategy for identifying relevant academic sources to construct the conceptual foundation. The reviewed materials include peer-reviewed journal articles, PhD theses, and conceptual studies addressing Diversity Management and Upper Echelons Theory. The inclusion criteria prioritized literature that demonstrated relevance to the thematic scope, conceptual contributions to understanding top management diversity, and theoretical elaboration on surface-level diversity (e.g., gender, ethnicity, age) and deep-level diversity (e.g., education, experience, and cognitive frames). The review includes research from the mid-1980s through the early 2020s, beginning with the foundational contribution of Hambrick and Mason (1984), which introduced the Upper Echelons perspective.

Among the key sources likely referenced are Homberg and Bui's (2013) systematic review of top management

team (TMT) diversity, Wrench's (2007) historical analysis of diversity management in Europe, and Yang and Konrad's (2011) integration of institutional and resource-based theories in the context of DM. These and other scholarly works provide the theoretical and contextual grounding necessary for the synthesis undertaken in this article.

The conceptual review strategy is organized around several focal points. First, the authors describe positive and negative implications of Diversity Management—emphasizing human resource inclusion, equity, and social integration—and Upper Echelons Theory, which highlights the impact of executive characteristics on strategic organizational outcomes. Second, they identify a conceptual common ground wherein TMT **diversity** emerges as a bridging construct, linking inclusion-focused initiatives with strategic decision-making effectiveness. Third, the article critiques the predominant focus in the current literature on surface-level diversity, particularly gender, while highlighting a need for broader integration of deep-level attributes such as values, cognitive styles, and professional backgrounds.

The authors propose developing a novel theoretical framework termed Systemic Diversity Management.

In conclusion, this article contributes to the field by applying a systematic conceptual literature review to the intersection of DM and UET, drawing upon four decades of theoretical development. Through critical synthesis of the findings in the literature, the study builds the basis of the understanding of how diversity at the top management level can simultaneously advance organizational inclusivity and performance. The authors suggest a shift toward interdisciplinary integration, enabling a more comprehensive and practical application of diversity-related concepts in contexts of contemporary entrepreneurship.

Diversity management has developed as a fascinating field of study, particularly in the business sector, understanding that the workforce is fundamental for economic growth. Diversity management aims to enhance inclusivity and leverage workforce diversity for economic and organizational gains. This article gives an insight into the history of the diversity management concept, its application, and the theoretical foundations supporting its impact on business performance.

Diversity management emerged in the United States during the 1950s and 1960s as a response to civil rights movements, legal frameworks on equal employment opportunities, and affirmative action policies [1]. Initially, enterprises strived to introduce as obligatory rules and regulations, but gradually recognized diversity as a strategic asset for competitive advantage [2]. In the 1980s and 1990s, diversity management expanded beyond legal regulations. It expanded to become part of the broader organizational goals, such as innovation, market expansion, and corporate social responsibility [3].

Diversity management has been a fundamental concept in Europe since the creation of the economic union, and it

has been influenced by policies promoting social integration rather than affirmative action [4]. The Treaty of Rome (1957) [5] laid the foundation for gender equality in the labour market, but a comprehensive approach to diversity management was only generally fostered by demographic changes and globalization in the last decades of the 20th century [6].

Several theoretical perspectives have strived to understand the impact of Diversity Management on business performance. The Upper Echelons Theory suggests that diversity in top management enhances decision-making and organizational performance by integrating different perspectives and experiences [7]. Cognitive psychology research supports this by highlighting the role of diverse cognitive styles in problem-solving and innovation [8]. Additionally, organizational diversity frameworks emphasize the need for structural interventions to foster inclusivity and introduce diverse perspectives to improve decision-making [9]. These frameworks suggest exploring beyond traditional diversity training to embed inclusivity into core business processes to have more extensive results, as well as indicating that vast responsibility lies in the hands and decisions of the top management teams.

A vast amount of research findings indicate a positive correlation between diversity management and the performance of enterprises, particularly regarding labour productivity, workforce innovation, and employee retention [10]. However, the effectiveness of diversity management depends on its implementation. Some authors argue that diversity initiatives should be integrated strategically into the organization's business approach, rather than treated as standalone initiatives or even programs without integration into the business processes, once again pointing towards decision-making processes in the enterprise [3]. Despite all the placements and approaches to implementing diversity management programmes, such elements as trust have also been identified as a significant element in ensuring the success of diversity initiatives [11]. Trust within diverse teams enhances collaboration, reduces conflict, and fosters a sense of inclusion, leading to improved organizational outcomes.

Diversity management faces challenges such as resistance to change, lack of inclusive leadership, and ineffective implementation strategies [12]. Some researchers emphasize and confirm the need for researchers to focus on developing models integrating diversity management with corporate strategy to maximize its impact on business performance [13].

Diversity management has faced evolution from respecting the need to find a workforce and utilizing all the resources available in society to a strategic business norm. While its application varies across regions, the overarching goal remains to create inclusive work environments that drive innovation and performance and provide social inclusion for all societal groups. The article's author concludes that diversity management is crucial for social

inclusion, but should be fostered by a more targeted approach focusing on strategic aspects of the enterprise, meaning top management teams are responsible for the strategic decisions in the management strategies for developing business.

*a) Definitions: surface-level vs. deep-level diversity.*

According to the literature, diversity is commonly categorized into two primary types: surface and deep. Surface-level diversity refers to observable attributes that are immediately apparent without needing personal interaction, such as age, gender, race, ethnicity, and physical abilities. In contrast, deep-level diversity encompasses less visible characteristics, including individuals' values, attitudes, and beliefs, which add more value to inclusion than demographic traits [14], [15].

Looking at the top management team of enterprises, there is a need to look further than surface-level diversity and to see more in-depth diversity to gain possible outcomes considering more profound in depth diversity, which has been neglected in the contrasts with surface-level diversity, which has been historically defined by plainly visible demographic characteristics [16]. Literature research indicates that deep-level diversity can have a higher impact on team performance and organizational success. Acknowledgment and proper use of knowledge about the more profound level diversity of the members of the top management teams can provide possibilities for increased productivity in economic terms [17].

Deep-level diversity highlights characteristics of individuals that can be hidden or highlighted at a person's discretion, such as beliefs, attitudes, and norms [18]. Meanwhile, surface-level diversity is defined as noticeable characteristics that distinguish individuals from each other [19]. Enterprises can develop a competitive advantage by embracing surface-level and deep-level diversity in the workplace, adding aspects that support mitigating differences, providing orientation, and reducing the possibility of conflict [20].

Ensuring recognition and valuing both types of diversity, enterprises can recognize and use accordingly everybody's differences, not only visible but also invisible characteristics among employees, and, more importantly, provide a constellation of Top management teams, using more profound levels of diversity for the gain of the productivity of the enterprises. The authors envision the need to link the characteristics of top management teams, identified in Upper Echelons Theory [21]. Considering both of these approaches and their implications, this approach should be titled - systemic diversity management.

*b) Goals and benefits of diversity in organizations*

The article by Thomas [22] underscores the critical role of communication in shaping and sustaining diversity within organizations, emphasizing surface-level attributes such as race, gender, and age, and deeper-level diversity rooted in values, knowledge, and social identity. Different aspects of diversity influence workplace relationships and cooperation among teams, confirming that communication

is critical for navigating differences and fostering inclusion in enterprises on any level. The authors argue that managing diversity effectively requires acknowledging that visible demographic differences are essential. However, leveraging diverse knowledge and perspectives in the context of top management teams to improve organizational financial outcomes is also essential. It highlights the need for a clear understanding of what composition would be the best in the top management teams, related to competencies, and how communication practices can bridge differences and enhance the benefits of a diverse workforce. Such authors as Lakshminarayanan S. [23] offer a strategic perspective on how diversity management can improve organizational effectiveness by fostering voluntary engagement through well-structured diversity events. By applying social marketing principles, the author demonstrates how segmenting employees, based on their self-perception of diversity and willingness to participate, enables organizations to design tailored events that resonate with diverse audiences.

Approach improves participation rates and strengthens organizational inclusivity of staff, as it creates spaces for information-sharing, acknowledgement of cultural differences, and skill development. These events are visible and strategic tools that communicate the organization's values and commitment to inclusivity, enhancing employee satisfaction, organizational reputation, and internal trust. The study highlights that the careful planning and communication of diversity initiatives, sensitive to both surface-level differences and more profound diversity of knowledge and experience, can transform diversity management from a compliance-driven activity into a source of competitive advantage and community-building within enterprises.

There are authors [24] convinced that diversity and inclusion are ethical commitments and are essential to organizational success. A study shows that diverse teams consistently perform better, offering greater creativity, faster problem-solving, and smoother communication. However, researchers highlight that diversity should be interlinked with inclusion, ensuring that all employees feel acknowledged, valued, and respected, to have better performance. The potential of team diversity is limited without proper inclusion activities, making employees feel excluded or disengaged. Several studies demonstrate that well-managed diversity fosters collaboration, innovation, and employee satisfaction. Placing diversity as a strategic advantage for organizations seeking long-term growth and resilience is crucial and brings some financial gains. Still question whether that is the maximum stay unravelled.

#### *c) Challenges in implementing effective diversity strategies.*

Implementing diversity management, addressing surface-level diversity within organizations, and having a general attitude of "value-in-diversity" perspective are accompanied by various challenges that influence their effectiveness. Although most industry researchers and reports indicate vast gains regarding implementing diversity management concepts [22] – [24], proving that a

heterogeneous workforce contributes to better problem-solving, innovation, and market responsiveness, some critics caution against overestimating these benefits without acknowledging the inherent difficulties.

One of the main challenges is the increased potential for emotional conflict and interpersonal tensions among employees, mainly when differences in race, ethnicity, gender, or cultural background are not adequately acknowledged. Such tensions can result in decreased group cohesiveness, higher work avoidance or absenteeism rates, increased turnover, and reduced job satisfaction [25]. Additionally, diversity may lead to what researchers describe as "process losses" [26] whereby communication barriers, misunderstandings, and coordination costs hinder team efficiency and decision-making processes.

A critical challenge in diversity management is rooted in a delicate balance between fostering a sense of belonging and recognizing employees' uniqueness. Drawing on Brewer's Optimal Distinctiveness Theory (ODT) and subsequent research, it is clear that many diversity initiatives fail to address this dual need, which may explain the inconsistent relationship between diversity and organizational performance. Focusing on the internal activities to ensure belonging forces individuals to adapt, creating the need to hide their identity to align with the workplace culture. Meanwhile, emphasizing uniqueness without fostering a sense of belonging can lead to social fragmentation, stereotyping, and weakened team cohesion. [27]. So, inclusion should not be reduced to assimilation or differentiation but should integrate both dimensions, fostering an organizational culture in which individuals feel valued and their talent might thrive while being able to express their different perspectives and experiences. Addressing this balance is crucial so diversity management can go beyond symbolic gestures and deliver tangible benefits for individuals and organizations.

#### *d) Intersection of Upper echelons Theory and Diversity management*

The study by [28] revisits Upper Echelon Theory to explore the relationship between senior management diversity, diversity practices, and organizational performance. Authors establish that the demographic diversity of senior management teams is positively associated with the broader workforce's demographic composition and the adoption of diversity-oriented practices. This finding supports the notion that diverse leadership signals inclusiveness and promotes policies fostering workforce diversity. Secondly, the research emphasizes the important role of empowered diversity management managers in organizations where these managers hold decision-making power and are more likely to apply top management diversity to powerful and effective diversity initiatives. The study also demonstrates that diversity practices in organizations positively impact improved organizational performance, indicating that diversity at the leadership level can become a tangible business benefit when supported by realistic diversity infrastructures and organizational culture. The research

findings confirm the strategic importance of diversity management in fostering organizational outcomes.

The study [29] provides significant insights into the relationship between top management team (TMT) diversity and firm performance, revisiting the Upper Echelons Theory. Authors found that functional heterogeneity within TMTs positively influences strategic choices such as corporate consolidation and internal innovation, highlighting the constructive role of job-related diversity in fostering strategic decision-making. It indicates that increased age diversity within TMTs negatively impacts strategic choices, suggesting that social-category diversity, particularly age differences, may negatively impact consensus in the team and decision-making efficiency. The study also demonstrates that strategic choices, related to business expansion, specifically buying other companies and developing new ideas within the company, fully mediate the relationship between functional diversity and firm performance. These findings confirm the theoretical foundation that the observable characteristics of top managers shape organizational outcomes through strategic decision-making.

Research studies provide a comprehensive investigation into the emerging phenomenon of the Chief Executive Officer (CEO) activism and its strategic implications. While consumers may respond favourably to socially conscious CEO perspectives, investors tend to react negatively, perceiving activism as a potential distraction from shareholder value maximization. The research looks at how CEO activism relates to activities outside the market. It shows that when CEOs address socially progressive issues, their companies are more likely to get involved in corporate social responsibility (CSR). However, when CEOs support traditional values, this connection is not found [30].

*e) Evidence of diverse top teams affecting strategy, innovation, or performance*

In the academic literature, some studies provide empirical evidence on the strategic significance of diversity within research and development teams and its impact on innovative performance. Studies confirm that surface-level diversity (such as gender) and deep-level diversity (such as skills and educational background) positively influence innovation outcomes, particularly enhancing radical and incremental innovation in manufacturing firms [31]. Also, indications are evident that, despite the positive effects, excessive heterogeneity can negatively affect team cohesion and communication, limiting innovation effectiveness. It is pointed out that interaction between different dimensions of diversity—specifically gender, skills, and education—can create subgroups that may hinder innovation if not properly managed. It is possible to conclude that research and development diversity is a valuable strategic asset. However, its benefits depend on carefully balancing diversity dimensions to avoid internal fragmentation and maximize innovative potential.

Diverse TMTs contribute to broader perspectives by shaping firms' innovation strategies and overall

performance, thereby influencing better strategic choices, mainly focusing on innovation fields, enhancing new product development, and firm competitiveness. However, the relationship is complex—while diversity can foster creativity and adaptability, it may lead to conflicts or slower decision-making [32].

The article by Eesley, Hsu, and Roberts provides a nuanced analysis of how the composition of top management teams (TMTs), specifically founding teams, influences venture performance depending on strategic and environmental conditions. Meanwhile, it confirms that the positive impact of TMT diversity is not universal. However, it is very much about the level of alignment with a firm's innovation strategy and commercialization environment [33]. Diverse founding teams, where success requires the development of broad organizational capabilities in the literature, are characterized by various functional backgrounds and tend to achieve superior performance in competitive environments. On the other hand, literature confirms that technically focused founding teams, composed predominantly of individuals with technical expertise, are confirmed to be better suited to commercialization environments and innovation-driven strategies, as they can advance technological development and leverage partnerships with incumbent firms. The initial composition of the founding team has a lasting impact on organizational structure and strategic direction, suggesting that early alignment between team characteristics, strategy, and environment is crucial for an enterprise's long-term success.

The strategic consensus within top management teams (TMTs) shapes innovation performance. While diversity in functional backgrounds or tenure can bring varied perspectives, it does not automatically lead to positive outcomes. Also, functional diversity enhances innovation only when TMT members share a common strategic vision. In such cases, different viewpoints are effectively integrated into decision-making. Diversity may trigger conflicts and undermine innovation development by ignoring the need for strategic consensus. Therefore, consensus helps align diverse perspectives and supports the team's ability to implement innovative strategies [34].

The study by [35] draws two key conclusions about the relationship between top management team (TMT) diversity, strategic leadership, and organizational performance. First, it confirms that TMT diversity alone has a positive but limited influence on organizational performance. Second, the research demonstrates that strategic leadership significantly strengthens this relationship, acting as a moderating factor that enhances the positive effects of TMT diversity. Strategic leadership increases the explanatory power of TMT diversity on performance from 10.4% to 18.0%, highlighting that diverse leadership teams are more effective when guided by change-oriented and structure-focused leadership behaviours. The conclusion reinforces the theoretical construct that strategic leadership is essential in translating the potential advantages of top management teams' diversity into tangible organizational outcomes.

The article by Schubert and Tavassoli shows that educational diversity among members of top management teams has a significantly positive impact on a firm's ability to implement innovation activities. Educational diversity broadens the cognitive base of decision-makers, enabling them to identify strategic opportunities better and formulate innovative agendas. However, the study highlights that while TMT diversity influences the decision to engage in innovation (the strategic phase), it does not directly impact innovation outcomes' actual success or novelty. Instead, the execution and market success of innovation depend more on middle management teams (MMTs). TMTs shape strategic direction and innovation engagement, while MMTs influence operational outcomes [36].

*f) Theoretical tensions and alignments between UET and diversity goals.*

One of the main challenges in the Upper Echelons Theory (UET) is that researchers and academics still do not fully understand how top executives think, which is often called the "cognitive black box." Researchers often rely on characteristics such as age, competency, or background rather than examining the actual decision-making processes of leaders. Upper Echelons Theory is criticized for lacking specific characteristics or criteria to test and measure its impact in realistic contexts. Another significant issue is the lack of focus on how top executives interact, even though team dynamics and relationships strongly shape strategic choices. Establishing clear cause-and-effect links remains problematic; it is often hard to tell whether executive traits drive outcomes or merely coincide with them. Researchers must address these limitations to make UET more effective for analyzing leadership in today's complex organizational environments [37].

More recent research has explored more specific factors that may shape strategic outcomes. For instance, leadership diversity has emerged as a key area of interest. Authors examine how diversity in top management teams, across gender, nationality, education, social background, and functional roles, can enhance corporate sustainability. Studies are showing that diverse leadership teams generally promote more sustainable behaviour. However, contextual factors such as industry and geography should also be considered when analysing their impact and outcomes in the context of firm performance. Researchers, focusing on surface-level attributes, very often conclude that gender diversity in executive roles, cross-cultural experiences, and varied educational backgrounds can all contribute to better strategic thinking and performance. However, for these benefits to materialize, diversity must be thoughtfully integrated into the leadership structure [38].

Some researchers emphasise the importance of leadership development for mid-level managers in high-turnover environments. Research provides strategies for successful leadership transitions, ensuring organizational knowledge during change, fostering effective communication, encouraging adaptability, measuring performance, and implementing formal and informal

development programs. These findings enrich UET by highlighting how midlevel leaders, long overlooked, actively influence strategy and organizational performance through their unique traits and values [39].

Leadership characteristics also intersect with gender issues, particularly in fields like healthcare. A study by Frankl and Roberts (2018) proves that female executives influence positively the implementation of an organization's strategy by bringing collaborative, ethically grounded leadership styles that positively affect organizational culture and outcomes. While this supports UET's emphasis on leader traits shaping strategy, the study also highlights ongoing gender-based barriers, including underrepresentation and restricted access to high-level roles. It advocates for more inclusive executive structures to reflect diverse perspectives better and improve decision-making across sectors [40].

Illustrating the influence of types of leadership on organizational behaviour, researchers examine how different types of charismatic leadership affect corporate social responsibility (CSR) strategies. Research identifies three pathways: a) socialized charismatic leaders (SCL) prioritize integrative CSR and achieve trust-based, sustainable performance; b) neutral charismatic leaders (NCL) pursue strategic CSR for competitive gain; and c) personalized charismatic leaders (PCL), driven by self-interest, selective and symbolic CSR that can damage trust and lead to unstable performance results of the enterprise. This revelation reinforces UET's core idea that leadership values are crucial determinants of enterprises [41].

### III. RESULTS AND DISCUSSION

A conceptual review discusses the need to link Diversity Management (DM) with Upper Echelons Theory (UET). The synthesis of these frameworks highlights how diversity in top management teams (TMTs) influences strategic decision-making and organizational outcomes, especially during crises.

One key insight is that cognitively diverse TMTs—those composed of individuals with varied educational backgrounds, experiences, and social networks—enhance decision-making quality. Beyond demographic traits such as gender or ethnicity, this deeper-level diversity strengthens leadership capacity, particularly in uncertain or complex environments.

The authors' conceptual literature review introduces the concept of systemic diversity management, extending traditional approaches to diversity management and applying the Upper Echelons Theory. It calls for integrating surface-level traits with more profound cognitive attributes emphasized in UET. This conceptual shift reframes diversity from being solely a matter of representation to a strategic asset that influences firm performance.

These findings lead to several critical discussion points. First, the conceptual disconnect between DM and UET limits opportunities for an integrated understanding of gains enterprises can acquire. While both address leadership and diversity, those rarely intersect

meaningfully outside gender-related topics. A unified framework is needed to connect these perspectives and explain how diversity drives strategic outcomes. Second, the field lacks consistency in how diversity is defined and measured. There is a need for a more evident categorization of diversity attributes—including demographic, experiences, and cognitive factors—to enhance research comparability and practical application to increase productivity.

To conclude, this article highlights the strategic relevance of diversity within leadership and the importance of moving toward a more integrated and standardized conceptual framework. Bridging DM and UET offers a richer understanding of how diverse leadership can shape organizational success in dynamic environments.

#### IV. CONCLUSIONS

This article focuses on two important concepts - Diversity Management (DM) and Upper Echelons Theory (UET)- each of which contributes valuable perspectives on the composition of teams in enterprises interlinked with organizational performance. However, these concepts remain disconnected mainly from existing research. Most studies focus predominantly on surface-level diversity traits such as gender or age. At the same time, deeper cognitive, experiential, and value-based dimensions—those most aligned with the strategic underpinnings of UET—are underexamined or excluded entirely. This lack of integration limits our understanding of how diverse leadership teams drive strategic decision-making, innovation, and resilience in complex organizational environments.

To fill this fragmentation, the authors of this article suggest the foundation of a new concept: **systemic diversity management**. The suggested approach combines diversity management's focus on demographic aspects and social inclusion of different groups with an identity-based focus with the strategic and cognitive emphasis of the Upper Echelons theory. Systemic diversity management acknowledges surface-level representation and deep-level competencies as critical for effective top management team design and performance outcomes. However, the conceptual framework remains in its formative stage. Developing a **robust, testable model of systemic diversity management** is recognized as an essential next step and is explicitly identified as a task for the authors in future research.

This forthcoming model will articulate how leadership diversity shapes strategic processes and how these dynamics can be embedded into organizational structures. By developing this integrated approach and designing a mathematical model to be applied in the practical, day-to-day business, the authors aim to contribute to theoretical clarity and create practical tools for organizations seeking to leverage leadership diversity as a strategic asset.

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