**The Role of Unit Composition and Leader Inclusion Mentality in Diversity Climate Development**

\*Anna-Katherine Ward

Pamplin College of Business, Virginia Tech

880 West Campus Dr, Blacksburg, VA, USA 24060

[annakward@hotmail.com](mailto:annakward@hotmail.com)

Elizabeth C. Ravlin

Darla Moore School of Business, University of South Carolina

1014 Greene St, Columbia, SC, USA 29208

[ravlin@moore.sc.edu](mailto:ravlin@moore.sc.edu)

Jieun Park

Darla Moore School of Business, University of South Carolina

1014 Greene St, Columbia, SC, USA 29208

[jieun.park@grad.moore.sc.edu](mailto:jieun.park@grad.moore.sc.edu)

*\*Corresponding author*

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**ABSTRACT**

Research supports the notion that diversity climate (employees’ shared perceptions of unit value for fairness and inclusion of difference) can help the unit attain benefits – rather than detriments - from workforce diversity, yet the literature provides little guidance on how such environments are created. The current paper outlines diversity climate development with particular attention to the role of unit composition and the unit leader. We introduce the caveat of heterogeneity to climate etiology theory, demonstrating the complications of climate development in diverse populations (in which pro-diversity climates may be most relevant), and develop a model to address this consideration. We connect the common ingroup identity, acculturation, and inclusion literatures to develop a new construct – *leader inclusion mentality* – capturing unit leaders’ extension of identification with and value for uniqueness/difference among employees. We discuss diversity in terms of unit composition using the exemplars of homogeneous, bi-model, and heterogeneous units, allowing the model to generalize to understudied in-/outgroup comparisons. Our model explores how unit composition and leader inclusion mentality interact to shape perceptions of diversity climate that may at times be deceptive. We conclude with implications for research and managerial practice in creating, adapting, and maintaining diversity climate.

**THE ROLE OF UNIT COMPOSITION AND LEADER INCLUSION MENTALITY IN DIVERSITY CLIMATE DEVELOPMENT**

The implications of workforce diversity can be positive or negative, ranging from decreased efficiency and lower-quality team performance (Horwitz & Horwitz, 2007; Pelled, 1996) to enhanced decision-quality and long-term firm profitability (Nemeth, 1992; Olson, Parayitam, & Bao, 2007; Richard, Murthi, & Ismail, 2007). Thus, it is not surprising that the last two decades have shown a rise in research focused on contextual workplace factors that help the benefits of diversity to be realized (McKay & Avery, 2015). Scholars use the term *diversity climate* in reference to employees’ shared perceptions of their work unit’s value for fairness and inclusion of difference (Dwertmann, Nishii, & van Knippenberg, 2016). Studies suggest that fair/inclusive climates provide work environments conducive to realizing diversity’s benefits, such as enhanced employee satisfaction, prosocial behaviors, and unit performance (Boehm, Dwertmann, Kunze, Michaelis, Parks, & McDonald, 2014; Chen, Liu, & Portnoy, 2012; Hofhuis, van der Zee, & Otten, 2012; Singh, Winkel, & Selvarajan, 2013).

Unfortunately, the literature currently lacks attention to how unit diversity climates form. Some research suggests that firm diversity initiatives (Human Resource policies, programs, and procedures designed to enhance diversity and perceptions of inclusion; e.g., Avery & McKay, 2010) should naturally lead to pro-diversity climates, as their presence alone should send signals of value for fairness and inclusion to employees (Boehm et al., 2014; Cox, 1993; Herdman & McMillan-Capehart, 2010). However, research suggests that the effects of such initiatives are often mixed (Moss-Racusin, Van der Toorn, Dovidio, Brescol, Graham, & Handelsman, 2014; Paluck & Green, 2009), leading to wasted dollars (e.g., Dobbin, Kalev, & Kelly, 2007) and, at times, the opposite outcomes of those intended (Dugid & Thomas-Hunt, 2015; Kidder, Lankau, Chrobot-Mason, Mollica, & Friedman, 2004). As noted by McKay and Avery (2015), the literature has not provided much guidance as to how positive diversity climates can be attained.

While some research in the climate development domain is available, diversity climate may deviate from the path suggested for general or other specific climate development (such as climate for innovation or ethics; Kuenzi & Schminke, 2009). According to traditional climate etiology theory, a climate should arise when unit employees come to develop similar perceptions of workplace structures, such as policies, programs, and procedures (Kuenzi & Schminke, 2009; Schneider & Reichers, 1983). Units tend to attract, select, and retain employees who are similar to one another, making it more likely that their perceptions of the workplace will be similar (Schneider, 1981; Schneider & Reichers, 1983). However, this theory is problematic for diversity climate, as the role of employee similarity becomes more complex. Pro-diversity climates are those in which difference is valued, yet increasing heterogeneity, according to climate etiology theory, can be a threat to the development of shared perceptions. Increased employee dissimilarity may weaken social integration and communication among the employees (Lincoln & Miller, 1979; Tsui & O’Reilly, 1989) and can lead to a greater variety of workplace experiences regarding fairness and discrimination in particular (Avery, McKay, & Wilson, 2008; Joshi, Liao, & Jackson, 2006; Stauffer & Buckley, 2005). In other words, creation of a unit diversity climate is problematic, in that diversity should by nature lead to weakened agreement in perceptions of the unit, suggesting a lack of climate.

While the role of the unit leader has often been highlighted as an antecedent to various types of climate (see Kuenzi & Schminke, 2009, and Schneider, Gonzalez-Roma, Ostroff, & West, 2017, for reviews), we argue that this role is particularly important in the case of diversity climate development. Here, unit leaders must be capable of identifying with and appreciating a broad spectrum of difference to manage the diversity climate development process, considering member attribute distribution within the unit. Thus, the purpose of the current paper is to elaborate on the diversity climate development process, with particular attention to the role of the unit leader in the context of unit composition.

In the current paper, we build new theory by integrating climate etiology theory (Schneider & Reichers, 1983) with Shore, Randel, Chung, Dean, Ehrhart, and Singh’s (2011) inclusion framework (built on optimal distinctiveness theory; Brewer, 1991) to unpack the process of diversity climate development. We introduce a new construct of *leader inclusion mentality*, based on the common in-group identity model (Gaertner & Dovidio, 2000) and the acculturation literature (Berry, 1984), to capture unit leaders’ extent of identification with and value for uniqueness/difference among their employees. We explore how leader inclusion mentality and unit composition (homogeneity/heterogeneity) influence the signals employees perceive from the unit indicating their belongingness and uniqueness within it, and consequently, the unit diversity climate and its attributes.

Our theoretical model contributes to the diversity and broader management literature in three ways. First, while prior research has focused mainly on the outcomes of diversity climate, we theorize how diversity climate is created. In doing so, we demonstrate how diversity climate development may differ from development of other climate types.

Second, as research suggests that diversity initiatives are not always effective in producing pro-diversity climates (Herdman & McMillan-Capehart, 2010; Robinson & Dechant, 1997), we introduce unit composition and leader inclusion mentality as critical diversity climate antecedents. Whereas most diversity research, particularly regarding workplace discrimination, examines traditionally-marginalized (e.g., black, female) versus traditionally-dominant (e.g., white, male) groups in the US (Colella, Hebl, & King, 2017), our discussion of diversity in terms of unit composition of in-/out-groups allows us to generalize the model to understudied in-/outgroup comparisons (e.g., low versus high socioeconomic populations, personality-based divisions, cross-national groups). In introducing the construct of leader inclusion mentality, we aide in understanding why diversity initiatives’ signals are not always transmitted to employees as intended.

Third, while the literature currently focuses on the *level* of diversity climate (in terms of high/low unit mean; McKay & Avery, 2015) and is beginning to examine its *strength* (in terms of intra-unit agreement; Reinwald, Kunze, Huettermann, & Bruch, 2016), we additionally focus on its *breadth,* ornumber of dimensions of salient difference. The introduction of diversity climate breadth allows us to more easily distinguish between strong, high pro-diversity climates that result from a homogeneous in-group sense of belonging versus those that develop in the presence of true diversity.

Our research is delimited by three boundary conditions. First, we consider only situations in which diversity can usefully be leveraged to improve unit performance, and therefore focus on high diversity climate development. Second, we assume that unit members have some potential for integrating their differences; that is, we do not consider situations in which members are diametrically opposed to one another on an issue of central importance to the unit. Third, we do not specify between firm- and unit-level diversity initiatives. We begin by describing the constructs of diversity climate and climate development. We then introduce the concept of leader inclusion mentality and specify the composition configurations we use in this research. We briefly discuss the role of structural diversity initiatives and diversity (composition) as a dependent construct. Next, we develop theoretical insights into how diversity climate develops in units based on leader inclusion mentality and unit composition. Lastly, we discuss directions for future research, limitations of the paper, and insights on managerial practice to create, adapt, or maintain diversity climate within their units, thereby enhancing performance.

**DIVERSITY CLIMATE AND ITS DEVELOPMENT: AN OVERVIEW OF THE LITERATURE**

**Diversity Climate**

Unit diversity climate is viewed as the aggregate of individual psychological perceptions of the climate, with low unit means reflecting anti-diversity climates and high unit means reflecting pro-diversity climates. Two perspectives tend to dominate the diversity climate literature in terms of its definition and intended focus (Dwertmann et al., 2016): a fairness and discrimination perspective, focused on whether traditionally marginalized groups are given the same opportunities as others, and a synergy perspective, focused on the realization of the potential benefits of diversity. The synergy perspective has also been described as divided in terms of attention to leveraging employee differences (i.e., diversity management) versus enhancing employee feelings of belongingness and uniqueness (i.e., inclusion; Dwertmann & Boehm, 2016; Nishii, 2013; Shore et al., 2011). The current paper takes a broad view of diversity climate, as we use the term in reference to the shared perception of the unit’s value for both fairness and difference. In this definition, a pro-diversity climate is one in which discrimination is perceived to be lacking and differences are seen as valuable for unit performance, such that employees generally feel appreciated in the unit because of (rather than despite) their differences.

The aggregate of unit member perceptions indicates the *level* of diversity climate. Where consensus of individual perceptions is high, the climate is said to be strong (*climate strength*: Reinwald et al., 2016). Where consensus is low, the climate is said to be weak or non-existent, as climate constructs reflect a shared understanding of the environment (Kuenzi & Schminke, 2009). In this paper, we also consider the *breadth* of the unit diversity climate. Analogous to identity extension (Gaertner & Dovidio, 2005) and newer work on organizational culture, we refer to climate breadth as the number of dimensions of difference that are salient and available to members within a unit. This attribute has direct connections to composition, of course. For example, a fully homogeneous unit may have one dimension of difference available and has very narrow breadth, unless the unit is attuned to demographically different stakeholders external to the unit. However, we consider breadth to be a characteristic of the climate that enhances our ability to distinguish between climates that may appear identical in terms of level and strength, but bear little real resemblance to one another as discussed ahead.

Prior studies have emphasized the role of diversity climate in enhancing or hampering the effects of diversity (see McKay & Avery, 2015, for a review). Cox’s (1993) work explored how the work environment affects the impact of diversity, suggesting that diversity climate leads to organization-level benefits (e.g., firm performance) by way of positive effects on employees (e.g., satisfaction). Subsequent research has generally supported Cox’s model and has shown diversity climate to enhance the effects of various performance antecedents (see McKay & Avery, 2015).

The construct of diversity climate has often been used in the context of comparing perspectives of traditionally marginalized (minority) groups versus traditionally more powerful (majority) groups, typically in terms of race or gender and based on U.S. demographic composition (e.g., McKay, Avery, & Morris, 2008; McKay, Avery, Tonidandel, Morris, Hernandez, & Hebl, 2007; Stewart, Volpone, Avery, & McKay, 2010). Women and ethnic minorities tend to report higher personal value for and comfort with diversity, suggesting that diversity is important/relevant to them. However, men and whites tend to report higher perceptions of organizational fairness and inclusion, suggesting that they are less likely to perceive that discrimination and exclusion exist. These demographic perception differences may be due to the notion that women and ethnic minorities are more likely than others to experience – and to perceive themselves as experiencing - workplace discrimination (Avery et al., 2008; Joshi et al., 2006; Stauffer & Buckley, 2005). Therefore, whereas diversity tends to be an important issue for minority employees, minorities are less likely to perceive that the unit overall shares their view.

This majority/minority perception difference is a potential problem for the diversity climate literature. Researchers tend to operationalize unit diversity climate as the mean of individual employee perceptions, relying on majority-dominant datasets from sources that reflect the 79 percent white US labor force (U.S. Bureau of Labor Statistics, 2017). The potential problem is that diversity – and diversity climate – research tends to focus on the treatment and perceptions of minority populations, yet majority member perceptions dominate the diversity climate measure when these perceptions are aggregated to the unit level. Both researchers and practitioners concerned with the minority view may inadvertently rely on majority-dominant samples to indicate how minority employees perceive their environment. As majority employees are less likely to be exposed to discriminatory treatment (Avery et al., 2008; Joshi et al., 2006; Stauffer & Buckley, 2005), their workplace experiences may be different from those of minority employees. In other words, the minority perspective of diversity climate may be distorted using current methods, and this indicates the importance of considering not only level (average) perceptions of diversity climate, but other attributes of these perceptions as well.

We argue, in line with past researchers (e.g., McKay, Avery, Liao, & Morris, 2011), that unit demographics play a critical role in the meaning of diversity climate, and in its development, as individuals may have different workplace fairness and inclusion experiences based on group membership. In this paper, we focus on a set of composition configurations (as opposed to traditional majority/minority representation) that captures common patterns of unit composition. Beyond effects on diversity climate, we argue that unit composition also influences its development as described further ahead.

While a substantial body of research exists concerning diversity climate’s outcomes and moderating effects, less is known about how it develops. The presence of firm diversity-related policies, programs, and procedures (i.e., diversity initiatives) aids in diversity climate development, because even the mere presence of such initiatives can signal that the work unit values diversity (Cox, 1993). However, these initiatives may or may not suffice. For example, whereas Boehm, Kunze, and Bruch (2014) found that age-inclusive human resource practices positively predicted pro-age-diversity climates, Herdman and McMillan-Capehart (2010) found that the relationship between the existence of diversity programs and unit diversity climate perceptions varied based on management characteristics (racial diversity and relational values). In other words, organizational structures (such as diversity initiatives), although a primary predictor of climate, likely are accompanied in climate development by additional aspects of the environment. Our focus is on these environmental elements; in particular, we examine leader inclusion mentality and unit composition as central to the development of diversity climate. Below, we first describe traditional and contemporary theories of climate etiology (Schneider & Reichers, 1983; Schneider et al., 2017) and follow with a discussion of unique aspects of diversity climate development.

**Climate Development**

While traditional and contemporary theories of climate etiology differ in their focus, most researchers agree that climate evolves from subjective views (i.e., employee perceptions) of objective components of the work context (i.e., structures, such as policies, programs, and procedures; Kuenzi & Schminke, 2009). Early theory focused on an interaction between structures, employee homogeneity, and shared meaning created through intra-unit communication (Schneider & Reichers, 1983), whereas contemporary research has emphasized the top-down role of the unit leader (see Schneider et al., 2017, for a review).

***Early climate etiology theory.*** According to Schneider and Reichers’s (1983) climate etiology theory, there are three approaches to climate emergence: (1) the structural approach, (2) attraction-selection-attrition, and (3) the symbolic interactionist approach. First, workplace structures reflect the objective component of the work context. For example, the experience of similar settings (in terms of such objective factors as unit size, policies, and levels of decentralization) should lead to similar perceptions among employees (Payne & Pugh, 1976).

Second, climate etiology theory presented the attraction-selection-attrition process as also playing an important role. Schneider (1981) argued that units tend to attract applicants who are similar to the existing workforce, filter in (via selection) those who are most similar, and filter out (via turnover, whether voluntary or involuntary) those who are dissimilar. From this view, employees in a work unit have similar perceptions and experience similar meanings because of the homogeneous nature of the group.

Finally, a process of symbolic interactionism was also expected to contribute to climate development. In this view, individuals construct a shared reality based on observances and responses to actions over time (Blumer, 1969; Mead, 1934). Employees communicate attitudes to one another (whether verbally or through symbols, gestures, or other non-verbal means) and, as the employees react to one another’s communication, they come to develop a shared set of perceptions and attitudes. Combining these three elements, an objective presence of structures should translate into a strong climate through the shared subjective meaning created by the interacting employees. In this approach, the role of leadership in influencing employee attributions of meaning was not emphasized, and thus, we next turn to more contemporary climate development theories that examine the role of the leader in employee interpretation of organizational structures.

***Leader-focused etiology theories.*** Early climate research noted (and empirically demonstrated) the importance of the role of the unit leader in climate perceptions (Lewin, Lippitt, & White, 1939), but this aspect of climate development did not catch on for several more decades. Kozlowski and Doherty argued in 1989 that researchers should emphasizes the leader’s role, as employees tend to view the unit leader as a representative of the larger organization’s processes. From 2000 forward, a plethora of research has emerged showing that the unit leader’s behavior may mediate or moderate the relationship between organizational initiatives and employee-level outcomes (Schneider et al., 2017). For example, Jiang, Chuang, and Chiao (2015) used social information processing theory (Salancik & Pfeffer, 1978) and social learning theory (Bandura, 1977) to argue that employees collect information about the unit through observations of the leader, and they likely perceive their leader as a role model whose behaviors they should deem appropriate (although this varies based on similarity with the leader). The leader thereby strongly influences the climate, as perceptions of unit ideals and values are based on his/her behaviors. Other empirical work has also supported the importance of the leader’s role in climate development (for example, see Cho & Dansereau, 2010; Ehrhart, 2004). According to Schneider et al. (2017), leadership has been “clearly established as a major driver of climates of all kinds” (p. 24).

In this paper, we extend this emphasis on the unit leader, specifically, his/her mentality concerning inclusion and acceptance of outgroup members, as leaders often have the ability to influence both the implementation of firm- or unit-level initiatives within the unit and employee perceptions of these initiatives. Further, and specific to diversity climate, we anticipate that the leader’s influence is closely entwined with the composition of the unit as discussed ahead. As shown in the heuristic framework presented in Figure 1, our model fits within traditional and leader-focused climate etiology theories, with added specification of the joint processes of leader influence and compositional effects on diversity climate development. In the following section, we define and illustrate the constructs of *leader inclusion mentality* and *unit compositional configuration*, demonstrating their fit with prior work on climate development and their potential to enhance our understanding of diversity climate development in particular. These sections are followed by the exposition of our model.

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Insert Figure 1 about here

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**LEADER INCLUSION MENTALITY AND UNIT COMPOSITION**

In this section, we introduce and illustrate constructs that help to capture the unique characteristics of diversity climate, in addition to relying on climate etiology theory. Various concepts, typologies, and stages have been presented to explore firm and workgroup diversity management approaches and subsequent outcomes. In particular, Shore et al. (2011) used optimal distinctiveness theory (ODT; Brewer, 1991) to create a two-by-two framework to capture the balance of concern for employees’ needs for belongingness (i.e., being treated as an in-group member) and for appreciation (i.e., being seen as unique in a valuable way) in the work environment. While Shore et al.’s framework was theoretical, empirical studies have generally supported the notion that groups and firms are more likely to experience diversity’s benefits when they approach diversity as a resource that can be tied to strategy, rather than as a compliance issue or a moral imperative (e.g., Ely & Thomas, 2001; Konrad, Yang, & Maurer, 2016). Therefore, we build on the Shore, et al. (2011) approach and optimal distinctiveness (Brewer, 1991) as a way of thinking about the leader’s mentality regarding diversity in describing how such strategies or contexts arise.

**Leader Inclusion Mentality**

Leader *inclusion mentality* is an individual-level construct*,* briefly defined here as the extent of human appreciation, that helps to explain differences in leaders’ approaches to diversity issues at work. In addition to optimal distinctiveness, we draw on related work on common in-group identity (Gaertner & Dovidio, 2000) and acculturation (Berry, 1984) for a theoretical foundation to the variation among unit leaders in their perspectives on leading diverse employee units. Although the continuum of inclusion mentality is applicable to all individuals (regardless of organizational level), the focus of this paper is on the inclusion mentality of unit leaders in particular, given leader importance to the shaping of unit diversity or other climates (e.g., Cho & Dansereau, 2010; Ehrhart, 2004). We developed this individual difference construct because prior leadership research on climate has not focused on leader attributes that directly address diversity, as does leader inclusion mentality. That is, earlier work has instead examined popular leadership styles (e.g., transformational leadership: Cho & Dansereau, 2010) and values (e.g., relational values: Herdman & McMillan-Capehart, 2010).

High pro-diversity climates call for the valuing of difference. However, difference can denote outgroup status, which may lead to differential treatment compared to in-group members. Research on parochialism (preference for in-group versus out-group members) spans a variety of fields (e.g., biology, neurology, psychology) and dates back to Darwin’s writings on human evolution (1871). This 250-year-long research stream has consistently demonstrated humans’ tendencies to act pro-socially towards others with whom they identify and share common traits (Bowles, 2008). Social identity and self-categorization theories suggest that individuals are motivated to draw group boundaries out of a need to reduce uncertainty, as norms and ideals are prescribed (and, thus, perceived as certain) by the group, and to boost self-esteem, as shared in-group traits can be confirmed as having positive value among members (Hogg & Terry, 2000). In-group favoritism often results, whether consciously or not (Brewer, 1979), for at least two reasons. First, an individual’s goals transform into group goals as individual identity becomes intertwined with that of the group, such that goal-attainment for the group is synonymous with goal-attainment for the self. Second, identification with others enhances trust and expectations that members will reciprocate one another’s prosocial actions (Brewer, 1991). Thus, the individual attains collective goals and enhances potential for future reciprocation through positive behaviors towards in-group members.

The literature has often acknowledged a potential dark side to parochialism, such that one is motivated to protect the in-group through out-group hostility (Bowles, 2008; Darwin, 1871; Gao, Wu, Nie, & Wang, 2015; Ginges, Hansen, & Norenzayan, 2009; Rusch, 2014). However, additional research suggests that this dark side does not always emerge (Brewer, 1979). For example, Halevy, Bornstein, and Sagiv (2008) found that participants given the option to benefit the in-group and harm the out-group at the same time more often chose the former without the latter. As described ahead, additional research suggests that to some individuals, members of an out-group may be included in a broader in-group such that the motivation for out-group harm is less prevalent (or, perhaps, non-existent). Further, those who hold broad in-group identities may vary in the extent to which the differences among subgroup members are appreciated without expectations of assimilation. *Inclusion mentality* consists of two dimensions reflecting each of these notions, capturing the extent to which the leader (1) extends identification (belongingness) and (2) values uniqueness or difference without consequence (uniqueness; Shore, et al., 2011) within a superordinate-ingroup.

***Identity extension.*** The common in-group identity model (Gaertner & Dovidio, 2000) draws from social identity theory (Tajfel & Turner, 1979) and self-categorization theory (Turner, 1985) to suggest that individuals may reduce bias towards outsiders by altering their perceptions of intergroup boundaries, such that outsiders are brought into a larger superordinate in-group which contains members of two or more distinct subgroups. Researchers have conducted various studies testing the common in-group core hypothesis that construction of a broader, multi-group-encompassing identity overrides pre-existing negative biases (e.g., Gaertner & Dovidio, 2005; van Bavel, Packer, and Cunningham, 2008). Across numerous experiments, participants were assigned to otherwise meaningless mixed-race groups. As expected, studies showed that the inclusion of an outgroup member in the new in-group reduced evidence of bias towards the initially-outgroup members. In other words, inclusion in the artificially created in-group reduced bias. For example, van Bavel et al. (2008) found that white participants exhibited more positive evaluations of black in-group members than black outgroup members. The larger series of studies in this area showed evidence of differences in terms of both cognitive signs of prejudice and motivational/decisional intentions when a broader identity group was made salient (see Gaertner & Dovidio, 2005, and Packer & van Bavel, 2014, for summaries of this research stream).

Research on global social identity suggests that, for some individuals, the common identity group can extend to all of humankind. Buchan, Grimalda, Wilson, Brewer, Fatas, and Foddy (2009) found in a sample of individuals from six world regions that contribution to a global group in a social dilemma was positively predicted (at both individual and country-aggregate levels) by extent of participation in the global community (e.g., watching movies from other countries, contacting people in other countries, or working for a multinational firm). Expanding on this research, Buchan, Brewer, Grimalda, Wilson, Fatas, and Foddy (2011) found that global group contribution was predicted by the extent to which individuals included “the world as a whole” (p. 824) in their in-group. Individuals who felt a sense of connection to the larger global community were more likely than others to contribute to an anonymous, global group of strangers, even with potential expense to oneself.

The *identity extension* dimension of inclusion mentality reflects the breadth of the leader’s identity. At the highest level of identity extension, the leader holds a global social identity, encompassing all of mankind along with its various subgroups. At the lowest level of identity extension, the leader takes a parochial view such that only familiar individuals similar to her/himself are included in the broadest in-group.

***Value for uniqueness.*** Whether one’s highest-level identity is broad or narrow, individuals also determine (consciously or not) whether and how their sub- and superordinate identities fit together (Turner, 1985). The acculturation literature discusses this issue in terms of assimilation versus integration (e.g., Berry, 1984; Olsen & Martins, 2016). Through assimilation, minority members are expected to take on the norms of the superordinate group and abandon any of their subgroup norms that contradict those of the broader group. Through integration, the superordinate group norms develop by either combining those of the various subgroups or allowing them to appreciatively coexist (value for uniqueness). Thus, integration allows all individuals to retain and appreciate the norms of both sub- and superordinate identities. Research suggests that majority subgroup members tend to prefer assimilation (as superordinate group ideals may be dominated by those of the majority subgroup; a focus on allowing others to belong), while minority subgroup members tend to prefer integration (Verkuyten, 2006; enabling these members to keep their identities within the superordinate group).

As inclusion necessitates integration of difference (Nishii, 2013), our conceptualization of inclusion mentality calls for a preference for an integrative acculturation strategy, or value for uniqueness, within a superordinate identity group. Although acculturation strategies are generally discussed at the group-level (Olsen & Martins, 2016), we conceive of the *value for uniqueness* dimension of inclusion mentality as an individual-level construct to reflect the leader’s desire to allow the norms of various subgroups to co-exist without criticism. At the highest level of value for uniqueness, the leader expects unit employees that fall into her/his highest-level superordinate in-group (however broad or narrow that may be, depending on level of identity extension) to have the freedom to retain their subgroup norms if desired. At the lowest level, the leader expects all superordinate in-group employees to assimilate to the norms of her/his most salient in-subgroup.

In general, leaders low in inclusion mentality overall are less likely to perceive importance in diversity initiatives, and should be more concerned with facilitating and protecting their in-group employees (in-group favoritism) than with inclusion of outgroup employees. These leaders are more likely to take a classical disparity approach (Konrad et al., 2016) to diversity management, such that they ignore or give minimal attention to diversity initiatives. Such leaders therefore signal low belongingness and low value for uniqueness to outgroup employees.

At moderate levels of inclusion mentality, leaders are likely to have internalized a basic business case for diversity. These leaders will, at minimum, implement initiatives in compliance with structural regulations (Konrad et al., 2016). They may have good intentions in attempting to attract, select, and retain a diverse workforce and to treat employees fairly. However, they may struggle to produce results in these areas, as unconscious biases (toward outgroup members or out-subgroup members who do not assimilate) likely sway actual treatment. At this level, leaders may signal moderate levels of belonging and value for uniqueness, or may focus on one or the other element in their communication with their unit.

Leaders with a high inclusion mentality have a strong appreciation for diversity initiatives. They can identify with intended targets (i.e., out-subgroup members) and value the variation they bring. These leaders are more likely to take a configurational approach to diversity management (Konrad et al., 2016), as they are more motivated and capable to integrate diversity initiatives into broader unit goals. Leaders with an inclusive mentality should be more likely than others to be comfortable with diversity (Mor Barak, Cherin, & Berkman, 1998), and the presence of out-subgroup members should be less threatening due to their inclusion in a larger superordinate-ingroup and to the appreciation for – rather than fear of – their unique norms. High inclusion mentality should help the leader more easily determine how employee differences can be integrated into unit strategy to gain access to and legitimacy in broader markets, boost creativity, and enhance decision-quality through a combination of unique insights (Ely & Thomas, 2001).

**Unit Composition**

Unit composition has been approached from many perspectives in the literature, ranging from a focus on specific attributes (e.g., age; Boehm, et al., 2014) to a heterogeneity continuum (Earley & Mosakowski, 2000) to configural patterns (e.g., faultlines; Lau & Murnighan, 1998). We selected configurations based on their importance to diversity climate development, their common occurrence in research and practice, and to provide some simplification to this complex construct. The three configurations we use in illustrating our theory are provided in Figure 2. First, we examine the case of a fully homogeneous unit in which all members, including the leader, are members of the same category. Second, we consider a unit which has two homogeneous subgroups, one of which is the leader’s ingroup. Although this configuration may include units with faultlines (that is, with multiple differentiators), we do not necessarily infer their existence. Lastly, we look at a fully heterogeneous unit, in which the leader is also demographically unique. These particular configurations allow us to consider the following two issues: 1) relevance of the leader’s ingroup to diversity climate development; and 2) the extent of heterogeneity and potential non-linearities of its effects (Earley & Mosakowski, 2000). In our model, the content of the various categories is irrelevant (i.e., the theory does not address conventional majority/minority categorizations).

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Insert Figure 2 about here

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**THE PROCESS OF DIVERSITY CLIMATE DEVELOPMENT**

In this section, we describe how unit leader inclusion mentality, in conjunction with unit composition, alters the meaning unit employees create concerning their unit-level diversity climate. Reflecting prior climate etiology theory and consistent with the structural approach, workplace structures such as policies, programs, and procedures (Payne & Pugh, 1976) serve as objective bases for climate, and are likely to increase the diversity of the unit. In this respect, the unit composition is dynamic, and is therefore a critical factor in diversity climate processes that distinguishes its development from that of other climate types. In the first section of our model, we briefly address this attribute of diversity climate. In the second section, we focus more specifically on the mechanisms by which leader inclusion mentality and unit composition configuration jointly influence climate development and resulting diversity climate attributes independently of the impact of leadership on unit composition *per se*.

**Diversity Initiatives and Diversity**

Figure 1 presents an overview of the path between structural diversity initiatives (arising at either the firm or unit level) and unit diversity climate. As with other climate types, diversity initiatives should generally have a positive effect on diversity climates within a firm’s units (Boehm et al., 2014; Cox, 1993; Herdman & McMillan-Capehart, 2010; McKay et al., 2008). In fact, research suggests that indicators of the initiatives’ mere presence may bias individuals to perceive that diversity is valued, regardless of evidence to the contrary. Kaiser, Major, Jurcevic, Dover, Brady, and Shapiro (2013) presented samples of white adults with information suggesting that diversity structures were present in an organization. These participants were less likely than white adults in a control group to perceive minority discrimination claims in the organization as valid or to give attention to concrete evidence of discrimination. In other words, presence of diversity initiatives swayed participants’ views of the organization despite evidence suggesting the structures were ineffective. Limitations of the studies’ samples constrain our ability to generalize these results; however, additional research (e.g., Boehm et al., 2014; Herdman & McMillan-Capehart, 2010) supports the link between initiative presence and climate.

Further, diversity initiatives are designed to enhance intra-unit communication across group boundaries, through programs encouraging employee participation and cooperation (Avery & McKay, 2010). Communication within the unit provides the opportunity for development of unit climate through symbolic interaction (Schneider & Reichers, 1983). In addition, Contact Theory suggests that communication over time should lead to a reduction in between-group prejudice (Allport, 1954; Pettigrew & Tropp, 2006; Williams, 1947) resulting in greater potential for shared meaning creation (Blumer, 1969; Mead, 1934). This communication is specified as the mechanism whereby diversity initiatives have their impact.

*Proposition 1:* Presence of diversity initiatives positively predicts unit diversity climate.

Diversity initiatives are typically designed to enhance heterogeneity by improving the breadth and validity of recruitment and selection systems, and as noted above, to promote employee interaction within units (Avery & McKay, 2010). Thus, we also expect that:

*Proposition 2:* Presence of diversity initiatives has a positive relationship with unit heterogeneity.

Well-implemented diversity initiatives should make it possible for heterogeneity and communication to co-exist, thereby leading to creation of shared perceptions that diversity is valued in the unit. This assumes, however, that initiatives are implemented and interpreted consistently both across and within units – which, research suggests (Robinson & Dechant, 1997), they often are not. Because unit leaders differ in the extent to which they support diversity initiatives, leader inclusion mentality provides an additional effect beyond that of the mere presence of the initiatives. That is, inclusion mentality influences the extent to which a leader implements and signals the importance of diversity initiatives, and therefore moderates the above relationships.

*Proposition 3:* Unit leader inclusion mentality moderates the effect of diversity initiatives on unit diversity climate such that higher inclusion mentality strengthens this relationship.

*Proposition 4:* Unit leader inclusion mentality moderates the effect of diversity initiatives on unit heterogeneity, such that higher inclusion mentality strengthens this relationship.

These propositions are relatively straightforward, and in alignment with both theory and practice. However, because the climate focus is on diversity, a substantive issue is demonstrated by these propositions regarding the development of a strong, high-diversity climate. As stated above, traditional climate etiology theory argues that shared perceptions develop in part from employee background homogeneity (Schneider & Reichers, 1983); thus, initiatives that lead to increased heterogeneity should also lead to weaker diversity climates. Relatedly, relational demography theory argues that dissimilar individuals are less likely to interact/communicate with one another (Lincoln & Miller, 1979; Tsui & O’Reilly, 1989). In order to address this divergence in strength and agreement of climate, we next elaborate on leader-focused approaches to climate research, and the leader’s local compositional context, to better understand how and when unit diversity climate will develop in term of its level, strength, and breadth. For clarity, in this section, we consider diversity initiatives as constants, and consider a limited set of non-dynamic unit compositional configurations.

**Leader Inclusion Mentality and Unit Composition in Diversity Climate Development**

As noted, leaders often differ in the level of attention and value they have for diversity initiatives, suggesting that implementation may differ from one unit to the next (Herdman & McMillan-Capehart, 2010; Robinson & Dechant, 1997). Beyond these leader individual differences, the composition configuration of the unit acts as the context for leader behavior, and will also influence the attributes of the diversity climate that develops. We argue that the mechanisms through which leader inclusion mentality and unit configuration operate on diversity climate are surprisingly similar, and have deep roots in climate etiology research. First, structural attributes of the units (here, leader as in- or out-group member and heterogeneity of composition) provide information about what constitutes important similarities or differences between unit members and how these should be enacted. Second, these sources of information, and leader messaging based on inclusion mentality, provide signals that form the basis for meaning creation through symbolic interaction. Not only do these signals have implications for the level of diversity climate, but also its strength and breadth.

As prior climate etiology research has shown, the leader’s role in providing information to the unit has a significant influence on the strength and level of the climate (Kuenzi & Schminke, 2009; Lindell & Brandt, 2000; Schneider et al., 2017). In the diversity context, the leader’s inclusion mentality influences signaling of enhancement or diminishment of demographic barriers. In general, we consider the leader’s inclusion mentality to be a continuum. However, two different types of signals can be conveyed regarding inclusion: one of belongingness and one of the value for uniqueness. Together, these inclusion attributes compose the construct. If only one component is signaled, the resulting diversity climate will be different in quality as well as degree. Extending from Shore, et al.’s (2011) work, for example, a leader signaling only belonging to his/her unit will be more likely to produce an assimilation-oriented climate, whereas solely focusing on uniqueness results in differentiation. We take a different direction in this paper, in that we focus jointly on the leader inclusion continuum and unit configuration, their signals of belonging and uniqueness, and their impact on level, strength, and breadth of unit diversity climate.

As noted previously, diversity structures are an important influence on unit-member perceptions about climate (e.g., Kaiser, et al., 2013) and specification as to salient boundaries within the unit (Gaertner & Dovidio, 2000). We propose that structure in the form of unit composition also has such effects; that is, member configuration and the leader’s role as an in- or out-group member convey signals to members about both belonging and uniqueness. For example, if the group is homogeneous, belonging is signaled, whereas if the group is heterogeneous, uniqueness is signaled. Further, if the leader is an in-group member in a homogeneous unit, this configuration will signal greater belonging, whereas when unit members are not part of the leader’s in-group, the signals are typically muted. Our propositions for the varying conditions (low or high leader inclusion mentality, unit composition configuration) are presented in Table 1. For each condition, we indicate what signals (belongingness, value for uniqueness) are sent, and their origin (leader, unit composition). These signals are then amplified or dissipated based on the extent to which they are part of unit or subgroup interaction. In the following section, we discuss the intersection of leader and unit composition signals, the process of meaning creation within subgroups, and the influence these processes have on diversity climate level, strength, and breadth.

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Insert Table 1 about here

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***Leader and composition signals.*** As both the leader and the unit’s composition may convey messages about belonging and value for uniqueness, one question to be considered is how these messages combine. We suggest that a limited set of arguments determines their combination. First, when signals are consistent, they carry more impact (Kuenzi & Schminke, 2009; Schneider et al., 2017). Therefore, if unit composition suggests significant barriers between subgroupings (i.e., the bimodal configuration), and the leader has low inclusion mentality (is not engaging the out-subgroup), these signals will be very influential. Second, when the signals conflict, the net effect of both is reduced, as is agreement. Third, breadth of diversity culture is naturally limited by the composition of the unit, but reflects climate differences across conditions that are not captured by other climate attributes.

***Meaning creation within subgroups.*** As interactions occur more easily and frequently within subgroupings, unit composition plays a major role in meaning creation, and therefore, diversity climate development. As described earlier, increasing heterogeneity may lead to either decreased communication (where subgroups are absent) or within-subgroup communication; thus, diversity initiatives often include a goal of enhancing the participation and cooperation of all employees to be inclusive of all unit members in communications and decisions (Avery & McKay, 2010; Nishii, 2013). Whether demographic barriers are ultimately diminished or enhanced often depends on the unit leader. When homogeneity is high, employees in these units are more likely to interact regardless of additional contextual motivators. However, intra-unit communication may be strongly dependent on the leader interaction in heterogeneous units. Unit leaders lower in inclusion mentality should be more likely to reinforce demographic differentiation with their behavior, in part by interacting with members of their own in-group to the exclusion of others. As noted by Jiang et al. (2015), consciously or not, employees tend to view the leader as a model for what behaviors are acceptable in the unit. Unit leaders who do not themselves voluntarily cross group boundaries in communication likely send signals that inter-group communication is not valued in the unit.

Of course, the discussion thus far refers to the *extent* of intra-unit communication. Extent of communication is important in determining the strength of climate (i.e., the amount of agreement among employees’ perceptions), as it helps to align climate perceptions. Among employees whose perceptions agree, communication should validate and strengthen existing views. Among employees whose perceptions diverge, communication serves as a means by which they can possibly shape one another’s perspectives over time (Blumer, 1969; Mead, 1934). In other words, more frequent/extensive communication positively predicts climate strength, although there are some limitations on these effects (Schneider & Reichers, 1983).

Clearly, the *content* of the communication reflects employee perceptions of diversity climate. We expect, in line with climate etiology theory (Schneider & Reichers, 1983), that this content is determined from the employees’ experiences and perceptions regarding workplace initiatives and that, in line with leader-focused climate research (e.g., Jiang et al., 2015), the leader acts as an interpreter of these initiatives to the unit employees. However, we also argue that beyond level, strength and breadth are essential for understanding diversity climate. We elaborate our propositions regarding these multiple climate attributes ahead, organizing the discussion on unit composition configuration.

***Homogeneous composition***. In this configuration, the unit is composed of members who, with their leader, are members of the same demographic group. Intra-unit communication is high, and therefore should serve to validate and strengthen existing positive views of the diversity climate. Leader inclusion mentality is not necessary to enhance perceptions of fairness and inclusion in the unit; as members of the leader’s in-group, the employees are unlikely to have experienced or noticed negative effects of discrimination. Thus, high levels of intra-unit communication should enhance the positive view of the climate. In other words, members perceive, and agree on, a climate that is high in belongingness and seemingly, value for each member (uniqueness), despite the omission or exclusion of out-group members from the unit. However, the breadth of this diversity climate is very narrow; without input from a high inclusion mentality leader, there is only one dimension to be considered. When the leader is high in inclusion mentality, unit members may be asked to stretch their identification at times to encompass demographically-different individuals from outside the unit (e.g., in providing knowledge, as a customer or other stakeholder). Findings from the team effectiveness literature suggest that some diversity climates enhance knowledge sharing across cultures (Hajro, Gibson, & Pudelko, 2017); we anticipate that this effect could enable boundary spanning for a homogeneous unit when a high inclusion mentality leader is present. The mechanisms underlying these effects are unit composition signals of belonging, and leader signals of belonging and low or high (based on inclusion mentality) value for uniqueness. We propose the following for homogeneous units:

*Proposition 5a:* Highly homogeneous units will have high levels and high strength of unit diversity climate.

*Proposition 5b:* Highly homogeneous units will have very narrow diversity climate breadth. The relationship between unit homogeneity and climate breadth will be moderated by leader inclusion mentality, such that breadth will increase slightly with high leader inclusion mentality.

***Bimodal unit composition.*** In a two subgroup configuration, communication within each subgroup should validate and strengthen existing climate views, as similar individuals likely hold similar perceptions. However, the content of those views should depend on in/outgroup status and leader inclusion mentality. A low inclusion mentality leader is likely to show low belonging and value for uniqueness towards employees in the out-group, but not the in-group. For example, a female leader in a male- and female-composed unit may overlook existing qualified male employees for promotion, instead seeking one of her own in-subgroup members for the position. The content of the communication among the leader’s out-group is likely to be negative, suggesting that frequent/extensive communication would strengthen perceptions of an anti-diversity climate for the subgroup. Members who are part of the leader’s in-subgroup, however, should respond similarly to individuals in the homogeneous units described above. An additional difference in bimodal units is that the in-subgroup may be somewhat open to out-subgroup members’ assimilation, but only on the condition that the out-subgroup abandon its uniqueness. On the other hand, the out-subgroup will prefer to keep their uniqueness rather than sacrifice it as a condition of belonging (Verkuyten, 2006).

With a high inclusion mentality leader, the out-subgroup members are considered to be within a subgroup of the leader’s higher-level superordinate identity, such that out-group hostility is diminished or negated. As the leader is comfortable allowing the out-group employees to retain their out-subgroup norms, they are more likely to feel valued and included in the unit. Here – where leader inclusion mentality is high, and composition is bimodal – the relationship between intra-unit communication and diversity climate is positive (i.e., communication strengthens positive views). However, the fact that the leader belongs to one of the subgroups can still have a negative influence on the out-subgroup, and the leader may need to work to focus his/her communications toward the out-subgroup in particular.

Bimodal units have the greatest potential for faultlines (with distinct within-subgroup climates) to develop. Research has shown that units with groups of two or three distinct demographic categories can often have higher levels of conflict than more highly heterogeneous units (e.g., Earley & Mosakowski, 2000), and are likely to be less easily united. Where leader inclusion mentality is low, the in-subgroup may develop a strong, pro-diversity climate, whereas out-subgroups may develop a strong, anti-diversity climate. Although voluntary communication between groups is less likely, contact theory suggests that communication over time should lead to a reduction in between-group prejudice (Allport, 1954; Pettigrew & Tropp, 2006; Williams, 1947). However, this mitigation over time is most likely to occur where leader inclusion mentality is high, and favoritism is consequently weaker. Prior research suggests that climate should arise based on observances of leader attitudes and behavior, which are perceived as the norm for the unit (e.g., Smith-Jentsch, Salas, & Brannick, 2001). Therefore, where leader inclusion mentality is high, communication across the unit should enhance diversity climate level.

Because of the bimodal composition of these units, the level and strength of the diversity climate may appear to be moderate or average, but these indicators can be deceiving. The mechanisms underlying these effects are that unit composition will signal belonging to half of the unit and exclusion to the remainder, and climate beliefs will be averaged across the two differing subgroups. Further, the leader will signal belonging to the in-subgroup when inclusion mentality is low, but belonging and uniqueness to all when inclusion mentality is high. the Breadth is based on the two dimensions of difference (only one of which is considered part of the climate when leader inclusion mentality is low), and potentially additional demographically-different stakeholders (when leader inclusion is high).

*Proposition 6:* The relationship between bimodal unit composition and diversity climate will be moderated by leader inclusion mentality:

*Proposition 6a:* When leader inclusion mentality is low, diversity climate level will be moderate, strength will be low-moderate, and breadth will be low-moderate.

*Proposition 6b:* When leader inclusion mentality is high, diversity climate will be high-moderate, strength will be moderate, and breadth will be high-moderate.

***Heterogeneous composition.*** For this final configuration, the potential benefits of diversity are strongest, but still elusive. Without a high inclusion mentality leader, we anticipate that the unit will have difficulties creating a common normative environment (Schneider, 1981), and as they do not share demographic membership with the leader, they may fail to see paths to inclusion. While composition of the unit will signal uniqueness, belongingness will be lacking. If the leader is high in inclusion mentality, however, we anticipate positive outcomes. The individuals within the unit do not have natural subgroupings in which to communicate; therefore, the leader’s efforts to convey belongingness, in addition to uniqueness, should be well received and create communication avenues. Mechanisms underlying these effects include a strong signal of uniqueness from the unit composition, and under high leader inclusion mentality conditions, signals of belongingness and uniqueness. Therefore, we propose substantially different outcomes based on the moderating influence of leader inclusion mentality:

*Proposition 7*: The relationship between heterogeneous composition and diversity climate will be moderated by leader inclusion mentality:

*Proposition 7a*: When leader inclusion mentality is low, level and strength regarding diversity climate will be low, and breadth of diversity climate will be high-moderate.

*Proposition 7b*: When leader inclusion mentality is high, level of diversity climate will be high, agreement will be moderate-high, and breadth will be high.

**DISCUSSION**

The main goal of this paper was to elaborate the diversity climate development process with attention to the role of the unit leader and the complications of unit composition. According to our model, climate perceptions develop through signals of belongingness and uniqueness, as conveyed through unit composition and leader inclusion mentality. Although high pro-diversity climate levels and climate strength may arise in homogeneous or heterogeneous units, our model demonstrates that climate breadth must be considered as well, as this distinguishes potentially spurious diversity climates (i.e., those formed in units lacking diversity) from authentic ones. In this paper we make the following contributions: 1) we build a theory of diversity climate development using climate etiology theories integrated with an inclusion framework, 2) we introduce the construct of leader inclusion mentality, and 3) we examine the effects of signals of unit composition and leaders as they influence diversity climate level, strength, and breadth.

Considering the further specification provided in this paper and its fit with prior work, our theory explains differences between diversity climate development and that of other types of climate based on classic views. Classic climate etiology theories assert that climate arises through similar structures, homogeneous composition, or interactions with other members (e.g., Schneider & Reichers, 1983). Although many climate studies support these theories, we argue that diversity climate likely develops in a somewhat different way. For example, consistent with classic theories, the increase in similarity enhances the development of diversity climate. However, given that members in diverse units are less likely than others to have experienced or witnessed workplace discrimination and exclusion (e.g., Avery et al., 2008; Joshi et al., 2006; Stauffer & Buckley, 2005), the increased similarity may lead to a spurious form of diversity climate development. Due to lack of exposure such discrimination, members may report high unit value for belonging and uniqueness. This is because the breadth of diversity climate is extremely narrow.  Another example of how our theory may explain a greater variety of situations is that in contrast to a classic view that the increase in diversity hampers climate development, diversity in some cases can facilitate the formation of diversity climate because increased employee diversity leads to a greater variety of workplace experiences regarding fairness and discrimination in particular (Avery et al., 2008; Joshi et al., 2006; Stauffer & Buckley, 2005). As with our prior example, the breadth of diversity climate that develops provides this more extensive information to the unit. Thus, our theory can improve our understanding of diversity climate in part by the addition of the attribute of diversity climate breadth.

By integrating climate etiology theory (Schneider & Reichers, 1983) and Shore et al.’s (2011) inclusion framework, we can better understand how employees come to develop perceptions of belongingness and uniqueness in the presence of both in- and out-subgroup members. We looked to the common ingroup identity model (Gaertner & Dovidio, 2000) and the acculturation literature (Berry, 1984) to explore how unit leaders might come to extend identity to and value the unique differences among diverse employee groups. In doing so, we have uncovered a climate development path in which heterogeneous employees develop shared perceptions of the work unit despite the communication and meaning-creation barriers that difference often brings (Lincoln & Miller, 1979; Tsui & O’Reilly, 1989).

**Implications**

Our model has a variety of implications for both research and practice. First, Colella et al. (2017) noted recently that, while research confirms ongoing employment discrimination problems, the literature has not yet outlined a clear solution; in others words, “we have learned little about how organizations can combat employment discrimination” (pg. 10). Similarly, while research supports the positive effects of diversity climate on a variety of individual and organizational outcomes, which help to eradicate workplace discrimination, McKay and Avery (2015) noted that we still lack research addressing how it develops. The current paper builds new theory to account for the complexities of diversity climate development, helping researchers to explore paths by which we may eventually understand how to eliminate workplace discrimination.

Second, this paper addresses the importance of considering the composition of the unit in which diversity climate is being studied. McKay et al. (2011) distinguished between diversity climate effects in predominantly-minority versus predominantly-majority groups. Similarly, we explore between-group differential effects, but we dig deeper into this issue in suggesting that an in-group/out-group distinction should be considered, and that the meaning of diversity climate likely varies between groups. Researchers should be cautious in viewing high diversity climate reports from homogeneous units as indicators that diversity is valued, as these reports cannot address the effects of the lack of heterogeneity in these units. Rather, breadth of diversity climate should be considered to reflect whether perceptions of belonging and uniqueness exist beyond a single in-group. In their “Tale of Two Climates,” McKay, Avery, and Morris (2009) studied the implications of differences between manager and subordinate diversity climate reports, highlighting that two very different climates may exist within one unit. By examining a combination of level, strength, and breadth, researchers can better understand whether diversity climate exists as a single shared intra-unit climate versus multiple within-subgroup climates, or as a reflection of homogeneity rather than a pro-inclusion unit.

This model should also ultimately shed greater light on the outcomes of diversity climate. Cox’s original model (1993) suggested that diversity climate should have positive effects on unit-level performance due to its impact on individual-level experiences. However, when breadth is taken into account, we may see different diversity climate outcomes at unit- versus individual-levels. Consider a homogeneous unit in which diversity climate agreement is strong, level is high, and breadth is narrow. Feelings of belongingness should lead to a variety of positive outcomes for the individual employees, such as stronger organizational commitment (Hopkins, Hopkins, & Mallette, 2001; Kaplan, Wiley, & Maertz, 2011), psychological safety (Singh et al., 2013), well-being (Shore et al., 2011), job satisfaction (Hofhuis et al., 2012), prosocial behaviors (Singh et al., 2013), and reduced absenteeism and turnover intentions (Avery, McKay, Wilson, & Tonidandel, 2007; Cox, 1993; McKay et al., 2007). However, the greatest unit-level benefits should come to units with broader climates (assuming level and strength of diversity climate are high and strong).

When managed well, diversity has been shown to enhance workgroup and unit performance through the synergy of unique backgrounds, perspective, and networks. When a unit is diverse, its members each view the task through a different lens. These diverse perspectives can lead to discussion of non-obvious alternatives (Nemeth, 1992) and stronger understanding of elements of a decision, which in turn enhances decision-making (Olson et al., 2007). Diversity can also enhance creativity and brainstorming (McLeod, Lobel, & Cox, 1996), interpersonal relationships (Nishii & Mayer, 2009), and the breadth of the consumer base with which the unit is able to relate (Hewlett, Marshall, & Sherbin, 2013). Such benefits enhance unit performance through increased market breadth (Hewlett et al., 2013), sales performance (Chen et al., 2012; McKay et al., 2008, 2009), customer satisfaction (McKay et al., 2011), and productivity (Boehm et al., 2014). In other words, whereas strong, high pro-diversity climates may help to produce individual-level benefits, the greatest unit-level effects should come from those with greater breadth.

In providing the alternative unit composition perspective, in terms of in-/out-groups versus majority/minority groups, we do not intend to distract attention from the needs of traditionally-marginalized populations. It has long been known that members of these populations have different workplace experiences from others, with a variety of discrimination-based hurdles (e.g., Konar, 1981). However, recent work has noted a need for attention to a wider range of discriminated employees (Colella et al., 2017). Research concerning discrimination against Blacks and females has been prevalent in Management research – with good reason - but little has been done to address the experiences of additional populations, such as international employees, low socioeconomic populations, or individuals with mental illness. Our unit composition perspective allows for an infinite variety of potential out-groups – for example, those based on personality or time-orientation - to be examined.

It is important to note the overlap between diversity climate and climate for inclusion. Roberson (2006) found, using both qualitative and quantitative methods, that the terms *diversity* and *inclusion* are similar in their work environment descriptions but differ in their approaches to diversity management, such that the former focuses more on heterogeneity whereas the latter focuses more on employee engagement. Similarly, Nishii (2013) distinguished the two climate types by demonstrating that diversity climate focuses more on fairness whereas climate for inclusion gives greater emphasis to learning from divergent perspectives. The definition of diversity climate used in the current paper – perceptions of unit value for fairness and inclusion of difference – aligns with that of Dwertmann et al. (2016) and encompasses the fairness/heterogeneity emphases of diversity, the engagement/learning emphases of inclusion, and the belongingness/value for uniqueness emphases of Shore et al.’s inclusion framework. Though we concur that distinctions between diversity climate and climate for inclusion are possible, we argue that climates for inclusion should follow the development path outlined in this paper.

In terms of practical application, our model provides the missing “how-to” guide for building pro-diversity climates (McKay & Avery, 2015). We theoretically demonstrate the importance of leader inclusion mentality in this process, suggesting that practitioners should either examine this construct in leader recruitment/selection procedures or design training programs to build it among the existing leadership. Selection tests for leadership positions may include existing validated measures for global social identity (e.g., Buchan et al., 2011) and multicultural/integration attitudes (e.g., Breugelmans & van de Vijver, 2004). Research suggests that training should include out-group exposure (Allport, 1954; Pettigrew & Tropp, 2006; Williams, 1947), particularly regarding connection to the global community (Buchan et al., 2009, 2011), though other cultural educational strategies may be beneficial as well (Paluck & Green, 2009).

Our model also helps to explain why the outcomes of firm diversity initiatives are often mixed. Companies can spend millions on diversity and inclusion training and other related programs with minimal – or, at times, negative – results (Dobbin et al., 2007; Kalev, Kelly, & Dobbin, 2006; Moss-Racusin et al., 2014; Paluck & Green, 2009). Our model highlights the importance of unit composition and leader inclusion mentality, suggesting that firm diversity initiatives may prove futile in a unit that is not ready to fully implement and appreciate them. For example, diversity initiatives may lead to backlash, such that members of traditionally-dominant groups may perceive that members of traditionally-marginalized groups have received undeserved attention (Kidder et al., 2004). The arguments of this paper suggest that such resistance can be alleviated through high leader inclusion mentality, as this makes the leader more likely to implement initiatives in a bias-free manner and to signal their positive value to unit employees. In addition, our model highlights the importance of gauging initiative effectiveness through objective measures (such as increases in heterogeneity among those included in training/development and promotion opportunities) in addition to subjective views.

**Limitations and Future Research**

Of course, our model is not without its limitations. The model assumes a single unit leader. In reality, this is not always the case, and employees may have very different relationships and communications with each leader. For example, Liu, Tangirala, and Ramanujam (2013) found that an employee’s relationship with a leader affected not only his communication with that leader but also with other leaders in the unit. Our model does not take these complex relationships into account. Leader inclusion mentality may be high for one leader or low for another within the same unit, and the signals that each leader sends (and how they are perceived) may be impacted by those of the other leaders. Future models should consider the implications of multiple leaders and their conflicting versus compatible signals, as well as how differing relationships of employees with each leader impacts how signals are received.

In addition, our model does not take into account the perceived or actual status of the unit leader. Leaders can possess or lack certain attributes, such as a resourceful social network (Katz & Shapiro, 1985) or culturally-valued characteristics such a wealth or gender (Troyer & Younts, 1997), granting higher or lower status and subsequent influence over their employees. For example, Venkataramani, Green, and Schleicher (2010) found that leader social networks positively predicted employee perceptions of leader status, thereby impacting employee behavior. The effect of leader inclusion mentality on unit diversity climate may vary depending on the leader’s status (as perceived by the employees), as signals of belonging and uniqueness may have a greater impact on the employees when they perceive them to come from high status leaders. Future research should explore potential differences in the high versus low status leader’s role in the diversity climate development process.

The dynamic nature of all variables involved in the model should be considered as well. For example, an increase in unit heterogeneity may also help to increase leader inclusion mentality, as out-group exposure may aid in the identity extension process (e.g., Buchan et al., 2009) and may help the leader come to appreciate out-group differences (e.g., Pettigrew & Tropp, 2006). Similarly, a change in leader inclusion mentality due to leader turnover may cause drastic changes in unit diversity climate perceptions as well. Kuenzi and Schminke (2009) noted a dearth of research focused on climate change, likely due to the complications of acquiring the data necessary for longitudinal studies. Future research should explore the implications of changes in each variable over time.

Finally, a narrow breadth of diversity climate may have a different meaning in contexts where homogeneity is difficult to escape. For example, some communities are so homogeneous that it is difficult to attract a heterogeneous workforce (Pugh, Dietz, Brief, & Wiley, 2008). Similarly, some units may consist of positions with homogeneity-inducing requirements (e.g., bona fide occupational qualifications, such as a Catholic school requiring all teachers to practice Catholicism). In such cases, the leader and employees within the unit may value fairness and inclusion of difference but lack the authority and/or resources to increase heterogeneity.

**Conclusion**

Although many existing studies have investigated diversity climate, it is still unclear how it develops in units. We integrate traditional climate etiology theory with a contemporary inclusion framework to unpack the process of diversity climate development, recognizing its deviation from traditional climate development paths. We introduce leader inclusion mentality (breadth of human appreciation) and unit composition (in terms of homogeneous/heterogeneous groups) as critical diversity climate antecedents, describing how each sends signals of belongingness and uniqueness to unit employees. By exploring breadth of unit diversity climate, in addition to level and strength, we help to understand how somewhat spurious pro-diversity climates can develop even in exclusive homogeneous units.

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**TABLE 1**

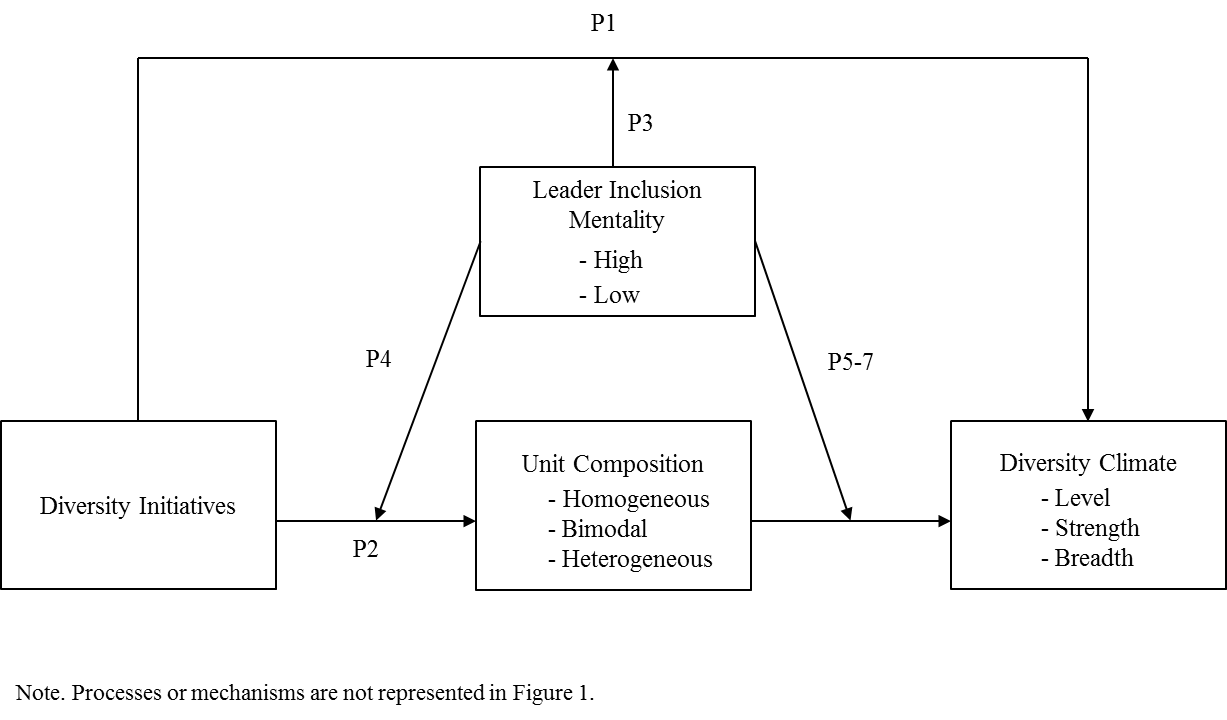
**Diversity climate attributes and mechanisms**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **High Inclusion Mentality Leader** | | **Low Inclusion Mentality Leader** | |
| **Homogeneous Composition** | Level: | High | Level: | High |
| Strength: | High | Strength: | High |
| Breadth: | Low | Breadth: | Very Low |
| Mechanism: | Composition signals of belonging.  Leader signals of belonging and uniqueness. | Mechanism: | Composition signals of belonging. |
| **Bimodal Composition** | Level: | High-Moderate | Level: | Moderate |
| Strength: | Moderate | Strength: | Low-Moderate |
| Breadth: | High-Moderate | Breadth: | Low-Moderate |
| Mechanism: | Composition signals of belonging to half of the unit.  Leader signals of belonging and uniqueness. | Mechanism: | Composition signals of belonging to half of the unit. |
| **Heterogeneous Composition** | Level: | High | Level: | Low |
| Strength: | Moderate-High | Strength: | Low |
| Breadth: | High | Breadth: | High-Moderate |
| Mechanism: | Composition signals of uniqueness.  Leader signals of belonging and uniqueness. | Mechanism: | Composition signals of uniqueness. |

Note. Level: Diversity climate level; Strength: Diversity climate strength; Breadth: Diversity climate breadth

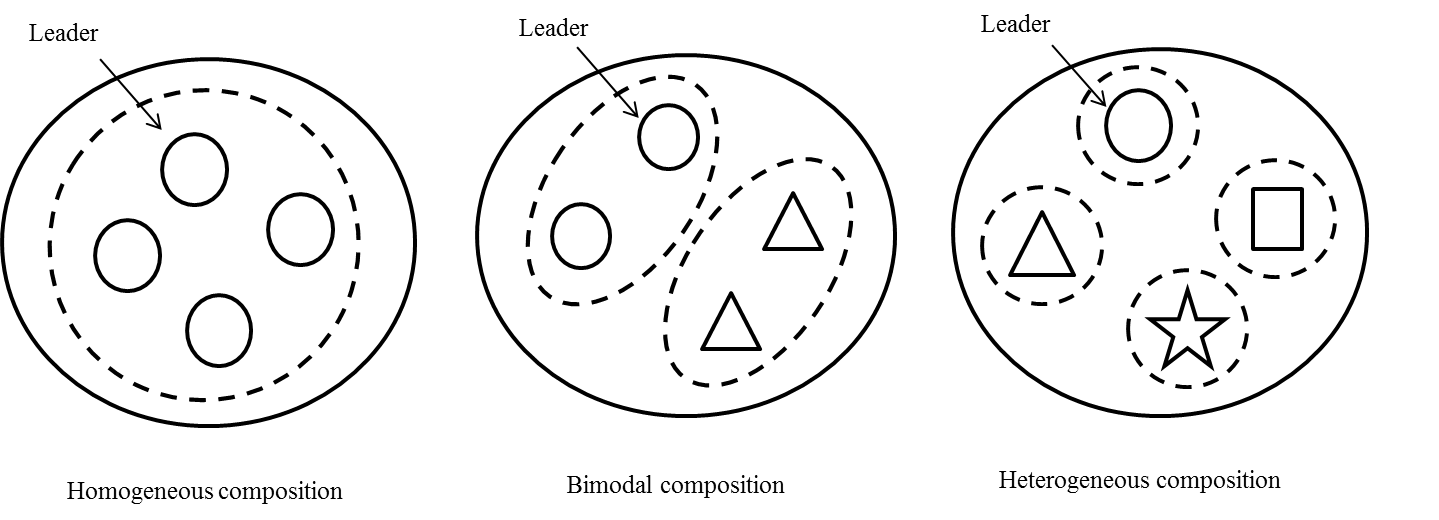
**FIGURE 1**

**Heuristic framework of diversity climate development**

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**FIGURE 2**

**Three configurations of unit composition**

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