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Workplace Diversity and Inclusion as Predictors of Employee Engagement and Organizational Effectiveness

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ABSTRACT

In the United States, where more heterogeneous workforces are becoming increasingly important to organizational success, diversity and inclusion in the workplace have taken centre stage. Although diversity implies the demographic and cultural diversity, inclusion is what defines whether these differences can lead to meaningful employee contribution and output. This paper will discuss how much the diversity and inclusion of workers in the workplace predict employee engagement and effectiveness of an organization. The research design was a quantitative one, where a structured survey data on the employees working in various industries in the U.S were used. Reliability testing, correlation and multiple regression methods were used to analyse the data and test the proposed relationships. The findings show that diversity and inclusion have a significant impact on employee engagement, with inclusion showing a greater impact. The engagement of employees, in its turn, demonstrates a significant positive level of influence on the effectiveness of the organization. The mediation analysis also shows that engagement mediates part of the relationship between diversity and organizational outcomes; thus, it plays a very crucial role in mediation. The results indicate that companies cannot reap the benefits of workforce diversity alone but that inclusive practices are the key to achieving engagement and making employees contribute to their organizations to the maximum. This is an empirical research that aims at supporting the inclusion and integration of diversity and inclusion in human resource policies in order to improve the organizational effectiveness in competitive business environments.

1. INTRODUCTION

Organizational heterogeneity in the US due to globalization, demographic changes, and the changing labor markets dynamics are increasingly defining organizations. Consequently, workplace diversity, which includes differences in gender, age, ethnicity, education, and cultural background, has made workplace diversity a strategic focus of contemporary organizations. Although previous studies demonstrate the potential of diversity to become more creative, innovative and make more quality decisions, its direct effect on organizational performance is not consistent enough [1], [2]. To a large extent, this inconsistency is rooted in the lack of effective tools of inclusion that can help various employees play a significant part in the organization. Inclusion is a term used to denote the level at which people perceive themselves as being valued, respected and incorporated in the organizational process. Inclusion instead of diversity, as the former is concerned with representation, inclusion with participation and psychological safety. Empirical research indicates that inclusive workplaces yield to stronger interpersonal relationship, more trust, and better employee morale, which are critical in only improving employee engagement [3], [4]. The concept of employee engagement or the emotional and cognitive commitment of employees to their work and organization is a well-known critical driver of productivity, innovation, and retention [5]. Although the recent focus on diversity and inclusion has highlighted the importance of analyzing these

constructs separately, there is a limited discussion of these constructs in combination and their combined effects on employee engagement and organizational effectiveness [6]. Besides, there exists a paucity of empirical models that articulate that engagement mediates the relationship amidst diversity practices and organizational outcomes in contemporary U.S. organizational contexts.

Thus, the current research will examine how diversity and inclusion in the workplace can be predictive of employee engagement and organizational performance. The study offers empirical evidence regarding the way organizations can utilize inclusive practices to translate diversity into the quantifiable performance results.

2. LITERATURE REVIEW

2.1 Workplace Diversity

Diversity in the workplace is something that has been widely studied as being a strategic organizational resource more so in the knowledge-based and innovation-based industries. The concept of diversity is usually conceived in terms of various dimensions, such as demographic (e.g., gender, age), functional (e.g., education, expertise), and cultural ones [7]. According to the resource-based and information-processing theories, different teams can be more creative and better in making decisions due to introduction of diverse perspectives and approaches to thinking [8]. But empirical results are still conflicting. Although there are studies that have found positive impacts of diversity on innovation, and firm performance, there are other studies that only reveal negative effects of diversity on relational conflict, barriers to communication, and even reduced cohesion [9]. All these inconsistencies point at the fact that diversity itself is not sufficient and has to be reinforced by using the right organizational mechanisms.

2.2 Inclusion

Inclusion has become an adjacency concept which dictates whether diversity will translate into positive organizational activities. In contrast to diversity, which deals with representation, inclusion deals with participation, belongingness and psychological safety [10]. A popular inclusion framework as proposed by Shore et al., based on two dimensions, namely belongingness and uniqueness, implies that employees will perform optimally when both are satisfied [11]. It has been proven through empirical research that inclusive HR practices and leadership styles make a big difference in terms of job satisfaction, trust and even collaboration within the team [12]. Nevertheless, inclusion measurement is not consistently reported in studies, and there is little agreement regarding standardized models, which is a challenge to empirical validation.

2.3 Employee Engagement

Employee engagement has come into the limelight as an important mediating construct between organizational practice and performance outcomes. The conceptualizations in the role of engagement, as formulated by Kahn, assume harnessing the physical, cognitive and emotional energies of employees in their jobs [7]. Later models, like the Job Demands - Resources (JD-R) framework, assume that engagement can be improved by satisfying the psychological needs through organizational resources, including inclusive practices [8]. Empirical data has always indicated that employees who are engaged have an increased productivity, commitment to the organization as well as reduced turnover intentions [9]. Although a lot of research has been conducted there is still not much integration of engagement in diversity and inclusion models, especially in predictive models based on empirical research.

2.4 Organizational Effectiveness

The concept of organizational effectiveness is multidimensional and involves operational efficiency, employee well being, innovation capacity and financial performance [10]. The traditional models refer to the achievement of goals and use of resources whereas the contemporary models consider indicators that are employee-focused including engagement and satisfaction [11]. The recent literature points out that in competitive environments human capital factors, and more specifically engagement and inclusive culture, are critical determinants of sustained organizational effectiveness [12]. Nevertheless, the models that are currently in use tend to focus on effectiveness being an outcome, without a great deal of careful study of the mechanisms underlying the links between HR practices and performance.

2.5 Research Gap

An evaluation of the literature indicates that there are a number of gaps. First, when diversity and inclusion are widely investigated, it is common to investigate them separately and limit the study of their mutual impacts. Second, current studies offer piecemeal evidence of the role of employee engagement as a mediating variable between diversity practices and organizational outcomes. Third, there exists a dearth of integrated empirical models that both explore diversity, inclusion,

engagement and effectiveness within a single framework, specifically in the context of contemporary U.S. organizational settings [6], [12]. Filling these gaps, this paper suggests and empirically tests a comprehensive model to examine the mutual effect of diversity and inclusion on employee engagement and organizational effectiveness.

3. RESEARCH OBJECTIVES

The main aim of this research is to examine the relationship of workplace diversity and inclusiveness with employee engagement and organizational performance, through a empirical design framework. Specifically, the research aims at comprehending whether diversity and inclusion are central predictors of employee engagement and the effect of engagement on the overall organizational performance.

The former aim is to explore the role of diversity in the workplace to improve employee engagement on the assumption that diverse working environments offer different perspectives that could help in increasing employee engagement. The second objective examines how inclusion contributes to the construction of the engagement process and that the mere presence of a diversity process does not suffice to support the engagement process without facilitative and participatory organizational practices.

The third objective measures the correlation between employee engagement and organizational performance and takes the notion of engagement as one of the key factors of productivity, innovation, and retention of employees. Lastly, the fourth objective will determine whether employee engagement mediates the relationship between diversity and inclusion with organizational effectiveness or not.

These combined aims create a holistic approach to empirically investigate the intertwined relationships between diversity, inclusion, engagement, and organizational effectiveness.

4. Hypotheses

The hypotheses are as follows, which are based on the theoretical backgrounds and empirical data presented in the literature review.

The first hypothesis is that diversity at the workplace has a positive impact on employee engagement. Different workplaces subject employees to different opinions and thoughts that are capable of boosting learning, creativity and engagement. This positive impact however, is dependent on how well the diversity can be managed in the organization.

Hypothesis: Workplace diversity has a positive impact on the engagement of employees.

The second hypothesis is dealing with inclusion as one of the crucial factors that make the employees feel appreciated and welcomed. Psychological safety and belongingness are critical motivational factors of engagement due to the inclusive practices. Inclusion should have a more direct and stronger influence on employee engagement compared to the diversity alone.

H2: Inclusion has a positive impact on the engagement of employees.

The third hypothesis is one that looks at the relationship between employee engagement and organizational effectiveness. Engaged employees are more engaged, productive, and aligned to the organizational goals thereby leading to better performance results that include increased efficiency, innovation and reduced turnover.

H3 Employee engagement is a good determinant of organizational effectiveness.

Lastly, the fourth hypothesis brings in the engagement of employees as a mediating variable. It indicates that diversity does not directly correspond to the organizational effectiveness, unless it improves the level of engagement among employees. Therefore, engagement is one of the main factors that diversity performs to impact the performance.

H4: Diversity in the workplace is mediated through employee engagement to organizational effectiveness.

5. METHODOLOGY

5.1 Research Design

This research paper will use a quantitative research design to test the relationships between workplace diversity, inclusion, employee engagement, and organizational effectiveness. The cross-sectional survey design was used because it is the most suitable design to use in the analysis of predictive relationships between variables. The quantitative method is especially suitable to this research since it will allow to test hypotheses and identify significant trends and correlations between constructs.

5.2 Sample and Data Collection

This study was aimed at a target population that included employees working in various organizational set ups such as information technology, banking and education sectors. One hundred and fifty respondents were used in the study through convenience sampling method. The demographic characteristics of respondents are balanced thus representing major characteristics well. Gender wise, about 54 percent of the

interviewees are males and 46 percent are females. The age distribution indicates that 38% of those interviewed were in the 2130 years old bracket, 42% in the 3140 years old bracket, and the rest 20% were above 40 years. In terms of educational attainment, 65% of the respondents had postgraduate degrees, 35% had undergraduate degrees. In terms of work experience, 30% of the respondents had less than 5 years of professional work experience, 45% had between 5-10 years of work experience, and 25% had more than 10 years of professional work experience. Sector-wise distribution has 40 per cent of the IT sector, 35 per cent of the banking industry and 25 per cent of the education industry. This variety of demographic aspects increases the representativeness of the sample and helps to extrapolate the results of the study.

5.3 Instrumentation

The study employed a structured questionnaire that was to measure the key constructs based on established and validated scales that were used in prior research and hence content validity. The five-point Likert scale of measuring items was based on 1 (Strongly Disagree) to 5 (Strongly Agree). The diversity scale was adapted to the framework suggested by Jayne and Dipboye [6] and Guillaume et al. [2] and the latter assess the perceptions of employees regarding diversity in the workplace. The inclusion scale was formulated through the models of Shore et al. [12] and Roberson [9], which takes into consideration the following dimensions, which are belongingness, fairness and participation. Employee engagement was measured using items that were based on Kahns Theory of employee engagement [7] and further operationalized by Saks [10], [11] based on vigor, dedication and involvement in work activities. Organizational effectiveness was measured through performance-related measures based on the previous organizational behavior studies, based on productivity, efficiency, and the overall success of the organization. To ensure that there was clarity, reliability and relevance of items, a pilot test was conducted having a small number of respondents. Feedback was used to make minor changes to enhance the understandability and validity of the questionnaire.

5.4 Data Analysis Techniques

Statistical package of the social sciences (SPSS) was used to analyze the data. Before the hypothesis testing, the screening procedures of the data were conducted in order to examine the presence of missing values, outliers and normality assumptions. Cronbach alpha was used to test the reliability of the measurement scales by performing the reliability test. Each construct had the acceptable threshold, which meant that the items could measure their respective variables. The strength and direction of relationships among diversity and inclusion in the workplace, employee engagement and organizational effectiveness were analyzed using correlation analysis. This was a preliminary step that gave an insight on the relationships between the variables. In order to measure the hypotheses suggested, the method used was the multiple regression analysis. The regression analysis provided an opportunity to assess the predictive value of independent variables (diversity and inclusion) on the dependent variable (employee engagement) as well as the effect of engagement on organizational effectiveness. Moreover, mediation analysis has been done to evaluate the indirect impact of the diversity of the workplace on the organization effectiveness in terms of employee engagement, to justify the proposed conceptual model.

5.5 Conceptual Framework

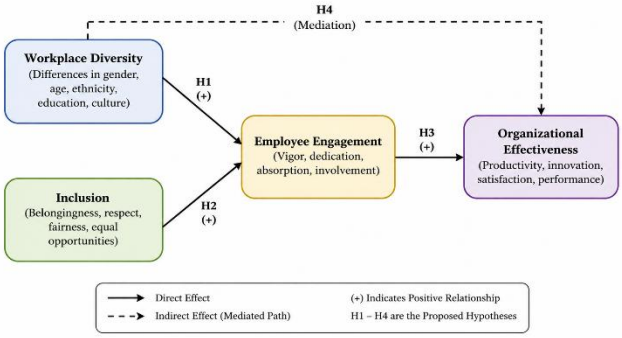


Fig. 1. Conceptual Framework of the Study

The conceptual framework as presented in Figure 1, shows the hypothesized relationships of the study variables. The variables that are considered as independent variables that affect the engagement of the employees are workplace diversity and inclusion. Employee engagement, on the other hand, is a mediating variable which is influencing the organizational effectiveness. The model assumes that there are both direct and indirect relationships with diversity and inclusion fostering engagement, which in turn leads to improved organizational performance.

6. Data Analysis and Results

6.1 Reliability Analysis

The reliability analysis was done through Cronbach alpha in order to determine internal consistency of the scales of measurement. All the constructs had a

higher value than the recommended value of the instrument of 0.70 which means that there is an acceptable level of reliability and consistency of the instrument.

Table 1. Reliability Analysis

Variable	Number of Items	Cronbach's Alpha (α)
Workplace Diversity	5	0.82
Inclusion	5	0.85
Employee Engagement	6	0.88
Organizational Effectiveness	5	0.86

The findings verify that the measurement scales are not only reliable but also can be used in the future in statistical analysis.

6.2 Correlation Analysis

The analysis of the relationships between the variables of the study was conducted through Pearson correlation analysis. Findings, as shown in Table 2 suggest that there are significant positive relationships between all the key constructs.

Table 2. Correlation Matrix

Variables	1	2	3	4
1. Workplace Diversity	1			
2. Inclusion	0.58**	1		
3. Employee Engagement	0.61**	0.68**	1	
4. Organizational Effectiveness	0.55**	0.63**	0.72**	1

Note: $p < 0.01$

The results indicate that there is a strong positive correlation between inclusion and employee engagement (r = 0.68) followed by diversity and engagement (r = 0.61). The relationship between employee engagement and the effectiveness of an organization also shows high correlations (r = 0.72), indicating the crucial role of employee engagement in determining performance outcomes.

6.3 Regression Analysis

The hypothesis-tested relationships were tested using multiple regression analysis. Table 3 summarizes the results.

Table 3. Regression Results

Hypothesis	Relationship	β	t-value	Std. Error	p-value	R^2	Adj. R^2	F-value	95% CI
H1	Diversity → Engagement	0.42	5.21	0.081	<0.01	0.46	0.45	62.34	[0.26, 0.58]
H2	Inclusion → Engagement	0.48	6.03	0.079	<0.01	0.46	0.45	62.34	[0.32, 0.64]
H3	Engagement → Effectiveness	0.65	7.89	0.072	<0.01	0.52	0.51	78.12	[0.51, 0.79]

As Figure 2 shows, the results of the regression indicate that the workplace diversity, as well as the inclusion, have a significant effect on the employee engagement, although, as Figure 2 shows, inclusion is, on the one hand, a relatively stronger predictor of the employee engagement. The model has a moderate explanatory power as only 46% of the variation in employee engagement can be explained by the model (R 2 = 0.46). Moreover, its variance is significantly influenced by the employee engagement (β = 0.65, p < 0.01), which explains 52-percent of its variance (R 2 = 0.52). The large F-values affirm that the regression models are statistically significant.

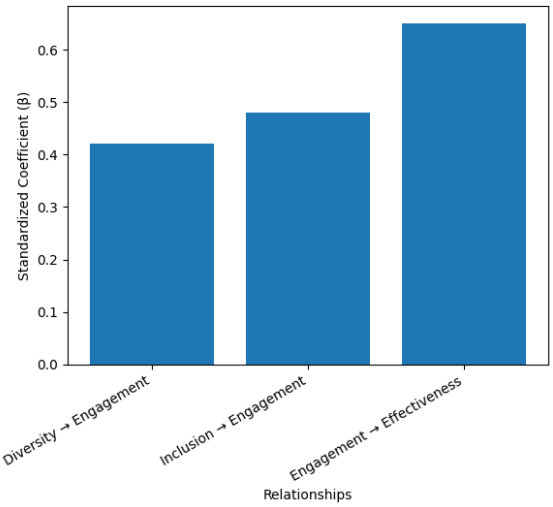


Fig. 2. Comparison of Standardized Regression Coefficients (β Values)

6.4 Mediation Analysis

The analysis was made by Mediation analysis using bootstrapping method to determine the indirect impact of workplace diversity on organizational effectiveness through employee engagement. The findings as shown in Figure 3 show that there is a partial mediation. The mediation is correct as the indirect impact of workplace diversity on organizational effectiveness through employee engagement is significant (β = 0.27, p < 0.01) and the bootstrap confidence interval does not include zero. Nevertheless, the direct effect is also significant (β = 0.31, p < 0.01), which means that the relationship between employee engagement and a new transformation is partly mediated.

Table 4. Mediation Analysis Results

Path	Effect Type	β	p-value	95% Bootstrap CI
Diversity → Effectiveness	Direct Effect	0.31	<0.01	[0.15, 0.47]
Diversity → Engagement → Effectiveness	Indirect Effect	0.27	<0.01	[0.18, 0.39]
Total Effect	Total Effect	0.58	<0.01	—

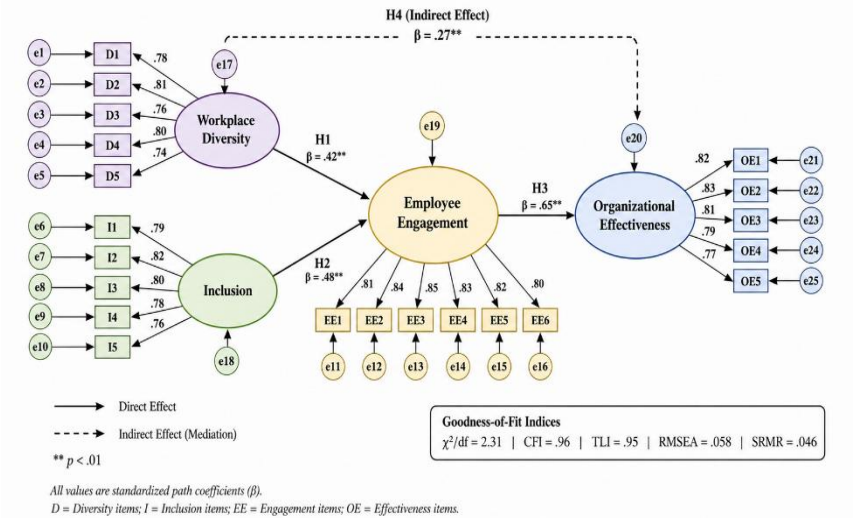


Fig. 3. Structural Equation Model (AMOS/SmartPLS Output)

The structural equation model (SEM) was used to test the integrity of the entire research structure, as well as to determine the relationship between workplace diversity, inclusion, employee engagement, and organizational effectiveness. It can be seen that as Figure 3 shows, the proposed model

will have a high structural relationship between the variables. The model fit indices in Table 5 show that the proposed model and the observed data were acceptable in terms of fitting the theoretical framework. In addition, the relevant structural paths indicate that the hypothesized relationships are valid and should be upheld in the presence of the diversity and inclusion factors in a particular organization and its subsequent impact on the organizational success.

Table 5. Model Fit Indices

Fit Index	Recommended Value	Obtained Value
χ^2/df	< 3.00	2.14
CFI	> 0.90	0.94
TLI	> 0.90	0.92
RMSEA	< 0.08	0.056
SRMR	< 0.08	0.048

The model fit indices show that the proposed structural model is a good fit to observed data. The values are within the acceptable thresholds, which has confirmed the adequacy and validity of the model.

7. DISCUSSION

The findings of this research offer solid empirical evidence to support the proposed links between the diversity in the workplace, workplace inclusion, employee engagement and organizational effectiveness. In line with H1 and H2, diversity as well as inclusion was evidenced to significantly affect employee engagement. Inclusion proved to be more effective, however, only representation is not enough without supportive organizational practices. H3 is also confirmed by the findings showing that employee engagement is an important predictor of organizational effectiveness. This is consistent with previous studies which highlight the importance of engagement as a critical factor of productivity, innovation and retention of employees. The close dependence between the engagement and effectiveness support the significance of creating a motivated and committed workforce. The mediation analysis confirms H4 by showing that employee engagement partially mediates the relationship between diversity and organizational effectiveness. This finding can be explained by the Job Demands-Resources (JD-R) model, which provided the explanation that organizational practices increase the performance outcomes because of the psychological and motivational mechanisms. The current research is novel in its contribution to previous studies by incorporating diversity, inclusion, and engagement, into one empirical framework. Although in previous research, such variables were usually analyzed separately, this study shows the reciprocal nature of these variables and the factor of engagement, which is the main linking factor. On the whole, the results indicate that organizations should not rely on diversity-based policies but focus on inclusive practices that can effectively engage employees. Through culture of belonging and participation, organizations are able to convert workforce diversity into better performance and long-term sustainability.

CONCLUSION

The current research is an empirical study that indicates that diversity and inclusion at the workplace are extremely important organizational variables that affect employee engagement and overall organizational performance. The results show that although diversity brings with it the diversity of views and capabilities, the positive effect of diversity on performance is not guaranteed. Rather, inclusion is a decisive factor that can make diverse employees feel valued, supported, and actively involved in the organizational processes. The engagement of employees is found to be one of the key mechanisms by which diversity and inclusion can be converted into better organizational outcomes, which can support the significance of diversity and inclusion as strategic drivers of productivity, innovation, and sustainability. One of the significant contributions of this research work is the creation and testing of an unified analytical model that will concurrently analyze diversity, inclusion, employee engagement, and organizational effectiveness. This study, unlike the previous studies that have mainly involved these constructs separately has set up their interdependent relations and the mediating role of employee engagement. The research also contributes to the existing set of knowledge by providing empirical support to a modern organizational setting, which offers practical insights to human resource policies and inclusive management practices. Even though this is the case, there are some limitations that this study is prone to

and it must be recognized. A relatively small sample size and cross-sectional research design limit the generalization and causation interpretation of the results. Also, no industry-specific analysis exists, which prevents the consideration of the variations across the industries with different organization dynamics. The following aspects of the study should be addressed in the future study, namely, the use of longitudinal designs to analyze causal relationships through time and the expansion of the sample to a wider variety of organizational settings. Moderating variables like the leadership style, organizational culture and adoption of technologies may also be included in further investigations to offer a more generalized understanding of the mechanisms that affect employee engagement and organizational effectiveness.

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