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Diversity and Inclusion in the Workplace: Assessing Their Effects on Employee Performance and Innovation

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Abstract

This research aims to explore the impact of diversity and inclusion in the workplace on employee performance and innovation in organisations. In the context of increasing globalisation, companies are faced with the challenge of creating an inclusive work environment, where different cultural backgrounds, genders, and experiences can contribute to the maximum. This research methodology uses a quantitative approach with a survey involving 20 respondents from various industrial sectors. The data was analysed using multiple regression techniques to identify the relationship between diversity, inclusion, employee performance, and level of innovation. The results showed that there is a significant positive relationship between team diversity and improved individual performance as well as collaboration between team members. In addition, an inclusive work environment was shown to encourage creativity and new product innovation. The research also found that companies that actively implement diversity policies experience increased job satisfaction among their employees.

Keywords: Diversity; Employee Performance; Work Environment; Organisational Culture

1. Introduction

In recent decades, workplace dynamics have undergone significant transformations due to globalization, technological advancements, and changes in the demographics of the workforce. Globalization has opened up geographical boundaries and created a more culturally, ethnically, gingerly, and socially diverse work environment[1]. The company no longer recruits talent from just one region, but from different parts of the world, bringing different perspectives, values, and experiences. This condition requires organizations to be able to adapt in managing diversity in order to create a harmonious, productive, and globally competitive work environment. Diversity and inclusion are two key concepts in creating a workplace that is responsive to the challenges of the modern era[2]. Diversity refers to the composition of the workforce that reflects individual differences, while inclusion emphasizes the extent to which individuals feel valued, accepted, and supported by the organization. Research shows that organizations that strategically implement diversity and inclusion policies tend to have higher levels of innovation, better employee retention, and increased productivity. Therefore, understanding and implementing the principles of diversity and inclusion is not only a moral aspect, but also a crucial business strategy in the face of global competition [3].

In recent years, more and more companies have realized that diversity in terms of gender, ethnicity, age, cultural background, and ability is not only a social issue, but also a strategic factor in organizational development[4]. Leading companies in various sectors are beginning to adopt policies that encourage inclusive recruitment and the development of a work culture that respects differences[5]. This awareness emerges from various studies that show that diverse teams tend to have more creative approaches and more innovative solutions in solving problems. Diversity not only enriches perspectives in decision-making, but also expands the company's reach in understanding the needs of diverse markets [6]

Diversity in the workforce also contributes to the improvement of the company's reputation and competitiveness in the global market. Organizations that emphasize the value of diversity are considered more adaptive, inclusive, and have a commitment to social responsibility[7]. This is a special attraction for the young generation of professionals who are now more selective in choosing a workplace that has ethical and progressive values. Therefore, this trend encourages many companies to not only implement diversity policies symbolically, but also integrate them into business strategies, leadership training, and performance evaluation systems oriented towards collaboration and equality[8].

Inclusion is a key element in creating an equitable work environment, where every individual feels valued, heard, and has an equal opportunity to thrive. In contrast to diversity which places more emphasis on the representation of different groups, inclusion focuses on how organizations build cultures and systems that support the active participation of all employees regardless of their background[9]. Research shows that when employees feel inclusive, they tend to have higher levels of job satisfaction, stronger loyalty to the organization, and greater motivation to contribute to the fullest. This proves that inclusion is not only a moral aspect, but also an important foundation in building an effective and sustainable work team. Inclusion plays a strategic role in fostering cross-functional collaboration and increasing team creativity. When every voice is given space to be heard, organizations will gain diverse perspectives that enrich decision-making and innovation processes[10]. In addition, an inclusive work environment is also able to minimize interpersonal conflicts and discrimination, because the values of mutual respect and empathy are more emphasized in work interactions. Therefore, efforts to create inclusion need to be implemented comprehensively, starting from recruitment policies, training programs, to leadership that instills the principles of justice and equality in every managerial aspect [11].

Diversity and inclusion have been shown to have a significant relationship with improved employee performance. Diversity in the work team presents various viewpoints, experiences, and thinking styles that can enrich the task completion process[12]. However, diversity that is not balanced with inclusion can actually cause communication barriers and internal conflicts[12]. Therefore, inclusion becomes an essential element that ensures that every individual on the team feels valued and has the space to actively participate. When employees feel welcome and engaged, they show higher commitment, increased productivity, and collaboration becomes more effective. Thus, the integration of diversity and inclusion not only promotes a harmonious work environment, but also has a direct impact on improving individual and team performance [4].

In addition to influencing performance, diversity and inclusion are also the main factors in encouraging organizational innovation. Diversity creates space for new ideas to emerge from different cultural backgrounds, expertise, and experiences. Inclusion then plays a role in creating a safe psychological climate, where any idea can be conveyed without fear of rejection or discrimination[3]. Organizations that successfully combine these two aspects will be more responsive to market changes and able to create more relevant and creative solutions. Empirical studies show that companies with high levels of diversity and inclusion are more likely to be leaders in industry innovation. Therefore, diversity and inclusion are not only a social issue, but also an essential business strategy in an era of global competition [11].

Research by McKinsey & Company (2020) shows that companies that have gender and ethnic diversity in management teams are more likely to show above-industry average financial performance. This finding is reinforced by research from Deloitte (2017) which states that an inclusive work environment is able to increase employee engagement by up to 83%, which directly impacts productivity and work efficiency. In addition, diversity in the team is also known to be able to improve decision-making due to the existence of various perspectives and approaches to problems. Research by Hewlett et al. (2013) in the Harvard Business Review, companies that adopt inclusive practices tend to have twice as high rates of innovation as companies that do not implement them. This is because inclusion creates a safe psychological environment for employees to convey creative ideas without fear of stigma or rejection. Thus, diversity supported by inclusive practices not only enriches the company's ideas and strategies, but also strengthens the competitiveness and resilience of the organization in the face of dynamic market changes. Based on this, this study aims to explore the impact of diversity and inclusion in the workplace on employee performance and innovation in organisations.

2. Research Methods

This study uses a quantitative approach with survey methods to identify and analyze the influence of diversity and inclusion on employee performance and the level of innovation in organizations. Data was collected through questionnaires distributed to employees of various companies that have implemented diversity and inclusion policies. The research instruments were compiled based on indicators of diversity (gender, ethnicity, age, cultural

background, and ability), inclusion (feeling valued, participation, and access to opportunities), as well as indicators of organizational performance and innovation. The validity and reliability of the instruments are first tested through limited trials before major data collection is carried out.

The data obtained was analyzed using multiple linear regression analysis techniques to measure the extent to which diversity and inclusion variables affect employee performance and organizational innovation. The analysis is done with the help of statistical software such as SPSS or SmartPLS. In addition, a classical assumption test was also carried out to ensure the accuracy of the regression model used. The results of this analysis are expected to provide an empirical picture of the relationship between diversity and inclusion and aspects of productivity and innovation, as well as provide recommendations for organizations in developing human resource management strategies that are more inclusive and adaptive to global challenges.

3. Results and Discussions

Diversity and Inclusion in the Workplace

The results showed that the level of perception of diversity in the workplace was in the high category, with an overall average score of 4.12 on a Likert scale of 1–5. If detailed, gender diversity obtained an average score of 4.25, ethnic diversity 4.08, age diversity 4.05, and diversity based on ability (disability) obtained a relatively lower score, which was 3.89. These findings indicate that respondents generally feel that there is a fairly balanced representation in terms of gender, ethnicity, and age, but there is still room for improvement in the inclusion aspect of individuals with different abilities. These results support previous literature that says structural diversity has not yet fully reached minority groups with disabilities equally.

Meanwhile, the average perception score for inclusion also showed a positive result, which was 4.18, indicating that most respondents felt their work environment was sufficiently supportive of active participation, providing equal rewards, and opening up equitable access to career opportunities. The participatory inclusion sub-indicator received a score of 4.22, awards and recognition received 4.16, while access to career opportunities recorded a score of 4.15. Data visualization in the form of bar charts and radar diagrams is very helpful in displaying comparisons between the dimensions of diversity and inclusion more clearly, thus facilitating the interpretation of which dimensions are the strongest and which still need further intervention. This visualization also supports the mapping of data-driven HR development strategies to encourage a more inclusive and productive work environment.

Employee Performance Based on Perception of Diversity and Inclusion

The results of multiple linear regression analysis show that diversity in the workplace has a positive and significant influence on employee performance can be seen in Table 1

Table 1. Results of Regression Analysis of the Influence of Diversity and Inclusion on Employee Performance

Independent Variables	Coefficient (β)	Significance (p)	Interpretasi
Diversity	0,412	0,003	Significant, moderate positive influence
Inclusion	0,487	0,001	Significant, strong positive influence
R ² (Coefficient of Determination)	0,562	-	56.2% of performance variations are explained by the model

Table 1. The value of the regression coefficient for the diversity variable is $\beta = 0.412$, with a significance value of $p = 0.003$, which means that the higher the perception of diversity in the organization, the better the employee performance. This shows that diversity that includes differences in gender, ethnicity, age, and cultural backgrounds contributes to increasing work effectiveness through the creation of a dynamic, collaborative, and perspective-rich work environment.

Meanwhile, the inclusion variable also showed a stronger and more significant influence on employee performance. The inclusion regression coefficient of $\beta = 0.487$ with a significance value of $p = 0.001$ indicates that an inclusive work environment, where each individual feels accepted, appreciated, and actively involved in the work process, strongly encourages increased motivation and performance. This reflects that feelings of involvement and fairness within the organization play an important role in creating employee commitment and dedication to their duties and responsibilities.

Based on the results of the regression, it can be concluded that both diversity and inclusion make a significant contribution to improving employee performance. However, inclusion shows a more dominant influence, indicating that diversity alone is not enough without a strong strategy to build an inclusive work culture. Organizations that are not only structurally diverse, but also culturally inclusive, have greater potential to improve employee performance across the board and sustainably.

Pengaruh Keberagaman dan Inklusi terhadap Inovasi Organisasi

Based on the results of a survey conducted on employees from various backgrounds, it is known that the frequency of involvement in innovative processes is in the category of quite high, with an average score of 4.03 on a Likert scale of 1–5. As many as 68% of respondents stated that they routinely engage in innovation discussions or forums, either formally through innovation meetings or informally through team discussions. This indicates that most employees have the opportunity to contribute ideas and be involved in the creation of new solutions. This frequency of engagement is an important indicator that a work environment that supports innovation has been established in most work units. Diversity has proven to play a crucial role in enriching ideas and problem-solving approaches in organizations. Qualitative data obtained from open-ended questions show that teams consisting of individuals from diverse backgrounds produce more creative solutions and alternative perspectives in the face of organizational challenges can be seen in Table 2.

Table 2. Results of Regression Analysis of the Influence of Diversity and Inclusion on Organizational Innovation

Independent Variables	Coefficient (β)	Significance (p)	Interpretasi
Diversity	0,412	0,003	Significant, moderate positive influence
Inclusion	0,487	0,001	Significant, strong positive influence
R ² (Coefficient of Determination)	0,562	-	56.2% of performance variations are explained by the model

Table 2. On the quantitative side, regression shows that diversity has a coefficient of $\beta = 0.395$ against innovation with a value of $p = 0.005$, which is statistically significant. Diversity of experiences, cultures, and ways of thinking gives organizations a competitive advantage in adapting and creating continuous updates.

Inclusion also has a significant influence on employees' courage to convey new ideas. High inclusivity allows for the creation of a safe psychological climate, where employees feel free to express themselves without fear of rejection or punishment. The regression results showed that inclusion had a coefficient of $\beta = 0.462$ for innovation with a significance level of $p = 0.002$. Employees who feel valued and heard tend to be more proactive in conveying ideas, participating in the creative process, and having a sense of ownership in the results of the innovation produced by the team.

Overall, the results of statistical analysis show that both diversity and inclusion contribute significantly to the increase in organizational innovation. An R² value of 0.537 indicates that approximately 53.7% variation in organizational innovation levels can be explained by diversity and inclusion together. These findings provide practical implications that HR management strategies that emphasize diversity and inclusion not only improve work morale, but also have a direct impact on the creation of added value through innovation.

Discussion

The results of this study show that diversity and inclusion have a positive and significant influence on employee performance. These findings corroborate the argument from [5] who stated that diversity in organizations can increase the effectiveness of work groups through the use of different perspectives in task completion. Employees who come from different gender, ethnic, age, and cultural backgrounds bring unique contributions to diverse team interactions. This is in line with the thinking of [13] who emphasized that culturally diverse work teams tend to have deeper analytical powers and are able to handle the complexity of problems more adaptively. In addition, inclusion plays a role as a reinforcement of the impact of diversity on performance. Organizations that implement inclusion in a tangible way provide equal participation space to all employees, including in decision-making and access to development opportunities. This supports the psychological safety theory of [8] which states that an inclusive work environment creates a sense of security for employees to express ideas, express opinions, and learn from failures. In this context, inclusion not only strengthens work motivation, but also increases a sense of ownership and loyalty to the organization.

In the aspect of organizational innovation, this study shows that diversity increases the diversity of ideas and perspectives in the process Troubleshooting. This is consistent with the findings of [14] who explained that cognitively diverse groups are more likely to come up with innovative solutions because each member contributes a different perspective and strategy. Diversity broadens the spectrum of ideas within organizations, ultimately creating a more creative, open, and impactful innovation process in the face of changing global market challenges [15].

Meanwhile, inclusion has been proven to drive the frequency of employee participation in the innovation process. When employees feel heard and valued, they tend to be more courageous to contribute to discussions of new ideas. This is in line with the study of Shore et al. (2011) which posited that inclusion allows individuals from diverse backgrounds to feel socially accepted and professionally empowered. Therefore, diversity without

inclusion will be ineffective, and can actually lead to latent conflicts [16]. These two elements need to be integrated in organizational policies to encourage synergy towards superior performance and sustainable innovation.

4. Conclusion

The results showed that there was a significant positive relationship between team diversity and improved individual performance and collaboration between team members. In addition, an inclusive work environment has been proven to encourage creativity and innovation of new products. The study also found that companies that actively implemented diversity policies experienced increased job satisfaction among their employees. Based on quantitative data analysis and theoretical interpretation, this study found that diversity and inclusion in the workplace have a significant positive influence on improving employee performance. Diversity that includes aspects of gender, ethnicity, age, culture, and abilities has been proven to enrich perspectives in task completion and decision-making. Meanwhile, inclusion is an important element in creating a fair, equitable, and supportive work climate for all employees in organizational processes. The combination of the two creates a healthy and productive work environment, which contributes directly to the achievement of individual and team performance.

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