

The Impact Of Diversity Management Practices On Organizational Innovation, Exploring The Mediating Role Of Inclusive Work Climate And Moderating Role Of Organizational Culture

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Abstract

In order to effectively control employee diversity and promote inclusive work environments, organizations implement diversity management practices, which are planned techniques, suggestions, and packages. This study investigates the mediating function of inclusive work climate for acquiring more knowledge regarding the relationship between effective diversity management techniques along with organizational innovation. Information was gathered from employees in the banking and IT industries. Convenience sampling was utilized to choose the respondents, and the questionnaire served as the data collection tool. Out of the 350 distributed, 241 completed questionnaires were submitted by participants. Smart PLS 4 and IBM SPSS were the software used for data analysis. These findings align with established theories that demonstrate the beneficial impact of diversity management approaches upon organizational innovation. Additionally, the findings indicated how diversity management strategies foster an inclusive work environment and foster organizational innovation. Diversity approaches to management need to be adopted throughout every organization if the company is interested in organizational innovation.

Keywords: Diversity Management Practices, Organizational Innovation, Inclusive Work Climate, Organizational Culture

INTRODUCTION

Because of various socioeconomic trends that changed the demographics and makeup of a company's workforce, The title "workforce diversity" was initially employed in the 1990s. Statistics on the labor force and other data show that the workforce has been and remains more diverse (Travis & Mor Barak,

2012). Women's civil and human rights advancements over the past few years, for example, have rendered it essential that participants from historically marginalized communities to join this group. For past ten years, the idea of a participatory work environment has been discussed within research on organizations (Roberson, 2006) as well as social services, including psychological theory research trends have also included the idea (Mor Barak, 2013; Brewer, 1991). Diversity management practices affect the involvement of employees and inclusion in the culture and increase innovation in the organization from the inclusion of diverse employees. Positive diversity management practices include creativity and innovation that lay the foundation seeking an edge in the marketplace. However, unfavorable methods of diversity management can result in miscommunication, misconceptions, even disagreements within work environments, resulting in employee turnover, bad quality of product, low self-esteem, and loss of competitive motivation (Corritore et al., 2020). Research gaps might exist regarding how various aspects of organizational culture (e.g., the strength and tendency the link among diversity management techniques as well as creativity in organizations are influenced by various factors including strategic emphases, employee leadership, organizational norms, dominant characteristics, organizational leadership, and success criteria). A comprehensive research investigation highlighting the absence of study that focuses on implementing concrete strategies for building inclusive organizational cultures, a lack of evaluating the effect on initiatives to promote inclusion and diversity and programs on company performance, the need for further research in geographically and industrially diverse organizational cultural contexts have been identified. By filling these gaps, it is hoped that this research can provide deeper insights and more targeted solutions for gathering an internal environment which encourages inclusion as well as diversity (Anggoro & Anjarini, 2024).

However, previous research provides means to achieve an inclusive work climate and diverse social work environment to ensure fairness among employees and avoid inappropriate management. However, the current issue remains to be empirically tested. This study find how diversity management practices are involved in organizational innovation in the banking and IT sectors and how an inclusive work climate leads employees toward organizational innovation in an organizational culture. Therefore, further research is needed on how the link among diverse management techniques and creativity within organizations, and inclusive work climate is mediated, and organizational culture moderates the relationship. By shedding light on the complexities of these relationships, this research aims to provide actionable insights for the policy makers; top management should encourage diverse practices in the organizational culture and improve the organization through diverse employees in the IT and banking sector in Lahore, Pakistan.

The research's significance lies in its ability to provide strategies for managing variations in diversity management techniques and inclusive work environments in societies among groups with their members the social milieu of the workplace and the freedom to express one's identity. The study aims to promote the corporation's ongoing growth and cultural evolution while also offering an inclusive work environment and

diversity management strategies that support effective social equality in public workplaces. In the present day constantly shifting as well as expanding diverse global marketplace, organizations that can innovate and adapt quickly have a competitive advantage. By cultivating a supportive environment and effectively harnessing diversity, firms can improve their capacity to develop creative solutions in accordance with evolving circumstances in the market, client demands, and technology breakthroughs.

LITERATURE REVIEW

RBV and Institutional Theory

Though the previously mentioned literature on diversity management practices, inclusive work environments, organizational culture and organizational innovation shows the advantages of creating and implementing a diversity management strategy many studies have examined these components separately. However, Yang & Konrad (2011) introduces an inclusive managing framework that draws from both RBV and institutional theory. While institutional theory maintains that pressure from the institutional environment, government regulation and legislation drive innovation in diversity management practices. RBV contends that an organization's financial improvements including benefits which come from receiving external recognition may drive innovation in diversity management practices. According to RBV, a company's resources include all of its resources, competencies, methods of operation, qualities, data, and expertise which it maintains as well as allow it to formulate and execute plans which strengthen its effectiveness as well as its productivity (Barney, 1991). Its resources which also give it a competitive edge are crucial to the planning and execution of the firm's strategy processes (Yang & Konrad, 2011; Barney & Clark, 2007). According to Richard et al. (2004), diverse work forces are uncommon valuable and special resources that can increase businesses' competitiveness. Studies show that companies that use a diverse workforce in their innovation strategies get better results (Richard, 2000).

According to Yang & Konrads (2011), model managers who view diversity as a highly relevant resource for firm strategy are more likely to adopt diversity practices widely to benefit from it. Institutions constitute intellectual normative along with authoritative systems and actions that provide social behavior strength and significance (Scott, 1995). The institutional theory approach offers this definition. Social and professional norms are instances of prescriptive organizations, while rules and regulations represent types of regulatory organizations; and morality as well as intellectual stances such as inclusivity are examples of cognitive institutions (Scott, 2013). Organizations face three different types of pressure to live up to these expectations: (1) ethical organizational forces, that are grounded in regional social conventions, (2) coercion regulatory pressures, that constitute formalized external constraints imposed by regulations and legislation like equal opportunities for employment and Affirmative Action and (3) mimetic institutional pressures which are brought on by environmental uncertainty and encourage organizations to imitate their peer's practices to obtain legitimacy (DiMaggio & Powell, 1983). Companies may use diversity management techniques according to

institutional theory to adhere to external pressures like regulations as well as existing social and professional norms (Yang & Konrad, 2011). As was previously discussed these theories have a wide range of illuminating potential but diversity management has received little attention from studies using them. By using RBV, recruiting and hiring procedures for members of minority populations can be better understood (Houtenville & Kalargyrou, 2012).

RBV and institutional theory are integrated in a diversity management practices model created by (Yang & Konrad, 2011). To achieve organizational innovation goals, this model emphasizes the need for both diversity management practices and successful business strategies. It also recognizes the value of diverse employees as a unique resource. We recommend that the question of ways possibly it's far for a company to advantage from range using acknowledgment from outside parties for its initiatives that may also result in favorable outcomes like worker retention and consumer loyalty pertains to strategic coherence as planned diversification declarations are transformed onto managing diversity procedures. Our arguments are supported by logic that comes from institutional theory as well as RBV.

Diversity Management Practices and Organizational Innovation:

Kreitz (2008) defines diversity as any substantial distinction that distinguishes one person from another even though there are too many traits and facets of diversity to list here. Age, sex, geography, lifestyle, education and experiences are some of the ways that diversity can be defined (Manoharan & Singal, 2017). Diversity management practices are an essential component of any organization and can be used to increase performance and capacity. Considering the workforce as a monolithic group could be harmful to the company because different people have different needs and concerns (Urlick, 2017). Some research suggests that positive diversity management strategies can promote organizational innovation. The development of the company and its personnel depends on diversity. So diversity in human resources management is essential to attract, maintain, and oversee employees of different backgrounds (Corritore et al., 2020). Diversity-sensitive HR procedures foster respect and acknowledgment for both the company and the employee. Organizational innovation requires cooperation between diverse groups, transparency and staff member's tolerance for opposing viewpoints. Organizational innovation is supported by diversity management techniques that respect individuals with diverse backgrounds and provide employees with the courage to express their views concerning the hypothesis (Cropanzano et al. 2017; Ratnasingam et al., 2012). According to Cropanzano & Mitchell (2005), when employees are appreciated through their participation along with efforts, therefore they perform effectively and perform more effectively. Such individuals include associates. Reducing bias and discrimination through diversity-oriented practices fosters innovation and increased productivity (Chaudhry, 2021). Consequently, the following is the first hypothesis.

(H1): Diversity Management Practices are positively related with Organizational Innovation.

Diversity Management Practices and Inclusive Work Climate:

The terms inclusive work climate and diversity management practice are often used interchangeably. Nonetheless, the main duty is always to oversee inclusive workplace policies and diversity management techniques. The under-performance of historically underrepresented groups is one enduring problem with diversity. To explain this disparity in the prospects for career advancement many theories have been proposed. One of these is that white men have the stereotypical leadership qualities that are considered necessary for career advancement (Sy et al., 2010). An inclusive work environment is characterized through an excessive diploma of worker belonging and an experience of network in the organization. Because it allows individuals representing varied origins ought to feel respected, valued, as well as empowered, with a welcoming environment workplace is essential to range management strategies (Shore et al. (2011). According to Hunt et al., employee participation boosts imagination, inventiveness, along with efficiency due to inspired employees are greater inclined to share their distinctive abilities and viewpoints. However, adopting inclusiveness along with successfully managing diversity management techniques may appear complicated and fascinating. In addition to combating prejudice and stereotypes that negatively impact people primarily because of their ethnic origin, physical characteristics, disability, sexual orientation, maturity level, and belief system, this seeks towards the elimination of institutional hurdles that block inequity regarding topics which include wages, work chances, and promotion (Ma et al., 2022; Kalargyrou et al., 2020; Legendre et al., 2022; Ma et al., 2021; Manoharan et al., 2021). Establishing an inclusive environment requires setting the stage and generating possibilities by using institutional and management approaches which give employees of socially identified businesses that experience additional inequality constitutes a true opportunity of receiving equitable opportunity for advantageous possibilities (Bell, Özbilgin, Beauregard and Sürgevil, 2011; Roberson, 2006). Participation approaches are trying to deliver such individuals with equitable utilization of assets, participation in decision-making processes, along with possibilities to feed professional development, while various management tactics have specifically focused regarding encompassing women about color as well as members of historically economically disadvantaged professions within the labor force. More creativity can only be fostered by a diverse workforce, but this benefit is unlikely to materialize without inclusion (Offerman & Basford, 2014). According to (Winters, 2013) achieving diversity is much simpler than achieving inclusion. Employees who work in inclusive environments and with diversity management techniques feel more connected and productive. There are notable gains in productivity, creativity and decision-making for businesses that implement diversity management techniques and foster an inclusive work environment. Thus, the subsequent hypothesis is proposed:

(H2): Diversity Management Practices are positively related with Inclusive Work Climate.

Inclusive Work Climate and Organizational Innovation

Professionals and scholars alike are becoming interested in workplace diversity management techniques (Buengeler et al., 2018) and in encouraging people to feel included in diverse workplaces (Roberson, 2006). Mor Barak (2000) defined an inclusive climate as a spectrum indicating how much employees feel they are involved in important organizational functions (Cho & Mor Barak, 2008). Understanding how employees view an inclusive workplace is crucial because it affects their commitment to the company and their mental health as well as their level of job satisfaction (Rizzo, 2016). Organizations can attain fairness, which is a component of inclusion when managers and staff members develop mutual trust. This leads to improvements in social behavior and employee performance as well as an increase in customer satisfaction (Anshari, Almunawar Lim & Al-Mudimigh, 2019; Mohammad et al. 2019). On the other hand, unfair circumstances could seriously harm the business. It follows that understanding is crucial since work-related variables are influenced by employee's opinions of justice and job satisfaction (Chang et al., 2016). Treating employees fairly is essential but so are making them feel important and a part of the organization. Studies on organizations have consistently maintained that employees have psychological needs to preserve relationships with other people in addition to their need to feel like they belong. A person's sense of belonging and self-worth can be negatively impacted by rejection or neglect from groups or coworkers (Machin & Jeffries, 2017). Inclusion fosters unity and meets people's social needs. It also positively correlates with success. It promotes close relationships and social acceptance. However, some companies make people feel uncomfortable and alone (Bryer, 2020). Though distinctiveness is equally significant in organizational diversity because it adds novelty to the workplace, literature has highlighted belonging as a crucial element of an inclusive work environment. Special skills and perspectives at work increase feelings of self-worth and claim of belonging (Boekhorst, 2015; Van Woerkom & De Bruijn, 2016). A diverse workplace is also necessary for getting employee opinions about the organization, its characteristics, structure and guiding principles. A diverse workplace culture demonstrates diversity-friendly practices like diversity training and mentorship for all levels of employees. Less committed employees are disadvantaged which suggests that organizations should consider how to set up their human resources procedures along with environment to satisfy worker demands while building loyalty amongst members of different backgrounds (Moon & Sandage, 2019). Higher levels of organizational innovation are produced by employees in inclusive workplaces they are particularly eager to experiment with initiatives along with express unique thoughts. These traits are essential for thinking beyond the box. Therefore, encouraging diversity individuality and fairness in the workplace climate and culture is essential to promoting innovation among employees (Jones et al. 2021). Thus, the following hypothesis is proposed:

(H3): Inclusive Work Climate is positively related with Organizational Innovation.

Inclusive Work Climate as a Mediator

The concept and constituents of an inclusive climate has only recently been the subject of scholarly inquiry. The focus on inclusive workplaces is a reflection of organizations growing awareness of the ability troubles that diversity might also purpose which includes conflict, employee attrition and the need of resolving these issues at a higher organizational stage (Guillaume et al. 2014; Holvino et al. 2004). The research on inclusive climates that emphasizes its advantages, especially in companies with a diverse group of workers is compiled here (Nishii & rich, 2014). The organizational context's essential elements have been discussed to create an inclusive climate. First, the organization desires to create an excellent playing field to stop the spread of societal biases and status disparities that prefer some identity organizations over others. The organization should enforce an integration approach that incorporates version from all organizations, now not just people with lower historic fame, to allow humans to keep their cultural identities. Greater team inclusion and cultural diversity enhances workers' information elaboration and information sharing (Jones et al., 2021). Nonetheless in multicultural teams with low inclusion climates both of these behaviors are incredibly low. Individuals with different backgrounds have different expertise and knowledge for creativity and problem-solving when they join the workforce. Individual and team creativity were significantly correlated with employee information elaboration and information sharing demonstrating the importance of an inclusive environment in culturally diverse team environments (Bryer, 2020). All things considered, these studies highlight the significance of inclusive actions and surroundings for employees working in diverse group settings. Thus, the subsequent hypothesis was proposed:

(H4): Inclusive Work Climate mediates the relationship between Diversity Management Practices and Organizational Innovation.

Organizational Culture as a Moderator

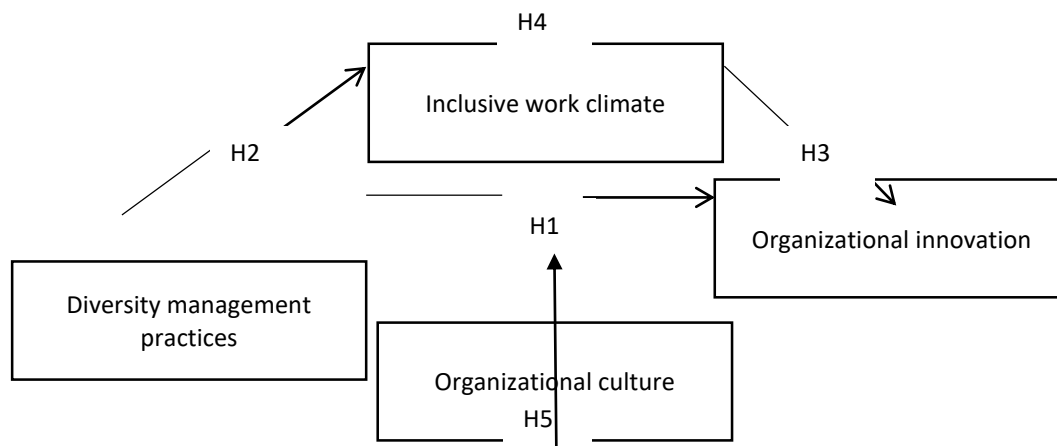
Even today researchers find themselves having stimulating conversations about the significance of managing organizational culture. Organizational culture is a very huge idea similar to different variables in the fields of organizational behavior and human resource management. According to Schein (2010), a corporation's culture is the set of not unusual meanings that its participants use to set it apart from others. alternatively, organizational culture as described by (Sinding & Waldstrom, 2014) is a group of implicit beliefs which might be shared by the organization and that influence how participants perceive, suppose and respond to special environments. Several organizational elements consisting of decision-making procedures, worker achievement in the face of adversity and worker interplay are significantly impacted by using organizational culture (Yoel, 2015). An organization must decide which cultural classification to develop to be acknowledged as a catalyst for its progress due to the multitude of factors that stem from the organization's culture. Influence from organizational culture can be significant particularly when that culture is strong. An organization that has a strong organizational culture will be more competitive and able to act and cooperate against rivals and clients. Furthermore, corporate culture can encourage employees with higher levels of competence to collaborate to accomplish goals (Build, 2008).

Organizational culture expresses itself as the persons' perception of themselves, internal workings, connections with the outside world, as well as standards concerning the future. It encompasses a business enterprise's expectations, reveal in's philosophy and values that guide member conduct. The previously related perspectives, ideas, rituals, along with formal and informal regulations that gradually developed through the years form the inspiration of culture. According to Maher (2014), highly innovative organizations can be distinguished by seven essential cultural dimensions. These characteristics come together to create a framework that executives can use to assess and improve the innovative culture both inside and outside of their companies. Relationships, risk-taking, resources, knowledge, objectives, incentives and tools are among these dimensions. Robbins (2006) defined a strong culture as one in which members of the organization share and hold organizational values highly. Additionally, organization gains stability from having a strong organizational culture. One term for a strong culture is a positive culture. Employee motivation and business effectiveness will both be enhanced by a positive organizational culture. The distinction between a strong and weak culture can be seen in the following table.

As a result, the following hypothesis was put forth:

(H5): Organizational Culture moderates the relationship between Diversity Management Practices and Organizational Innovation.

Theoretical Framework



METHODOLOGY

In order to investigate the relationship between the variables, the study will employ a descriptive quantitative research design. This design makes it possible to collect and analyze data in a methodical manner. A questionnaire was the only tool used in the study's mono-method approach to gather data. Due to the emphasis on numerical data, statistical analysis, and generalizability in quantitative research, the data that was gathered was quantitative. The research strategy for gathering data was a survey using a questionnaire. Data was collected through online Google Forms and in-person depending on the preferences and convenience of participants to collect data

virtually and physically respectively. Utilizing well-established theories like the resource-based view, institutional theory and Hofstede cultural theory as a guide, the study used a deductive approach. These theories guided the creation of study-related hypotheses. The study operates a positivist philosophy of epistemology, assuming that information can be obtained through systematic remark and measurement of observable phenomena. Our study is limited to the collection and impartial evaluation of quantitative statistics. The research time horizon refers to the duration over which a research study is conducted and the time-frame within which data collection, analysis, and interpretation occur. Our study relates to the cross-sectional approach. Cross-sectional studies have a single time point for data collection and analysis, providing a snapshot of a population or phenomenon at a specific moment in time.

The study's target population was the employees working in banking and IT sector in Pakistan. Our research was related to diversifying people in both sectors and how they tackle innovation. The sample size turned into determined on the premise of considerations of the preferred stage of available sources. According to Sekaran and Bougie (2016), sample sizes larger than 30 and smaller than 500 are suitable for the general public of studies. The study's sample size consisted of 241 individuals. Convenience sampling, a non-probability sampling technique based on accessibility and willingness to participate, was used to choose the organization and participants. An established survey tool with quantifiable measures was used with an emphasis on gathering numerical data in order to enable thorough statistical assessment. To guarantee its validity and reliability, the questionnaire contained items that were taken from published literature and scales that were examined. In line with positivism emphasis on quantifiable data, the survey only included closed-ended questions. The research goal which is to measure and analyze the correlations between variables is congruent with this methodology. A questionnaire was used to collect data which was then imported into SPSS and Smart PLS 4 for analysis. IBM SPSS and Smart PLS 4 software were used to statistically analyze the survey data.

Measures

Diversity management practices were measured through a 37 items scale having dimensions of gender and age (Abbas & Hameed, 2010), educational background (Giles, 2008), religion (Hanaysha and Tahir, 2016) and equality and respect (Porro, 2021). Organizational innovation was measured by 19 items scale (Al-Ansari, 2014). Inclusive work climate was measured through a 20 items scale with dimensions of fair, open, cooperative, supportive, and empowering (The New Inclusion Quotient Index Office of Personnel Management, 2015). We measured organizational culture through 24 items scale developed by Cameron and Quinn's (1999).

DATA ANALYSIS

To meet the research objectives and make sense of the hypothesis formulated in this study the results analysis and conclusions from the data collected are reported in this

chapter. We evaluated the data collected from our selected respondents using IBM SPSS and Smart PLS 4 software.

Partial Least Square Equation Model

Data analysis was conducted through PLS-SEM. Reflective measurement model was used to measure validity and reliability of data whereas structural equation model was applied for testing hypothesis.

Reflective Measurement Model

Outer Loadings:

Items with outer loadings below 0.5 were eliminated for further analysis after the outer loadings for every item across all constructs were measured.

Construct Reliability and Convergent Validity:

Reliability of data is measured through internal consistency and Composite Reliability (CR). Internal consistency is measured through the values of Cronbach's Alpha. The values of Cronbach Alpha for all constructs is showing higher reliability of the instrument because all value of constructs are greater than 0.90. All constructs with data reliability had Composite Reliability values greater than 0.70. Using the Average Variance Extracted (AVE) values, convergent validity was measured. AVE values greater than 0.5 were found for all constructs, demonstrating the reliability of the data

Table 2: Construct Reliability and Convergent Validity

Constructs	Cronbach's alpha	Composite reliability(rho_a)	Composite reliability(rho_c)	AVE
DMP	0.924	0.926	0.934	0.504
IWC	0.935	0.936	0.943	0.508
OC	0.935	0.936	0.943	0.542
OI	0.933	0.937	0.943	0.627

Discriminant Validity

By examining the indicators' cross-loading, discriminant validity can be evaluated. As stated by Hair et al. (2017) The outer loading of an indicator with its construct must be higher than the loading of all other constructs. The Fornell and Larcker Criterion, which states that the square root of the AVE of each construct should be higher than the correlation between the variables in each row, is used to measure discriminant validity. The square root of AVE, which is larger than the other values, is displayed along the diagonals.

Table 3: Fornell-Larcker Criterion

Constructs	DMP	IWC	OC	OI
DMP	0.710			
IWC	0.789	0.793		

OC	0.681	0.789	0.796	
OI	0.667	0.722	0.693	0.792

Structural Equation Model

Variance Inflation Factor (VIF)

In regression analysis, the variance inflation factor (VIF) is used to measure the degree of multicollinearity. Multicollinearity is the term used to explain the correlation among more than one independent variables in a regression model. This may result in a decline in the regression effects. The VIF values for all items for all constructs were calculated and were between 1 and 10 showing no collinearity issue.

Path coefficients:

Bootstrapping was utilized to confirm the relationship between latent variables and the structural model. In this part, the relationship between the variables was looked at. Given that the standard error establishes the significance of the relationships the bootstrapping procedure is utilized to assess the implications of path coefficients. In this study relationships were tested using path coefficient values and the significance of the relationship was determined at a significance level of 5 % (0.05). The table displays the path coefficient of the direct relationship as it has been hypothesized. The structural model measured the significance of the hypothesized relationships among the constructs. Table 4 shows path coefficients.

Table 4: Path Coefficients

Hypothesis Testing	Beta Coefficient (β)	Standard Deviation	T Statistics	P Values
DMP -> IWC	0.789	0.030	26.530	0.000
DMP -> OI	0.466	0.070	6.636	0.000
IWC -> OI	0.321	0.103	3.125	0.002
OC -> OI	0.295	0.085	3.463	0.001
DMP -> IWC -> OI	0.253	0.084	3.007	0.003
OC X DMP -> OI	0.015	0.026	0.010	0.992

All the hypothesis were accepted except H5. Organizational culture had no moderating effect on diversity management procedures and organizational innovation ($\beta = 0.015$ T-value = 0.010 P-value = 0.992). Diversity management practices and organizational innovation have also been found to be significantly impacted by an inclusive work environment in an indirect way ($\beta = 0.253$ T-value = 3.007 P-value = 0.003 0.05). This suggests that proper implementation of diversity management strategies will increase the organization's capacity for organizational innovation.

Coefficient of Determination (R^2)

The dependent variables coefficient of determination (R^2) is one of the most critical elements in assessing a structural model. R^2 is used to calculate the structural model's predictive accuracy. The table shows the values of R^2 for inclusive work environment (0.622) and organizational innovation (0.578).

Table 5: Coefficient of Determination

	R-Square	R-Square Adjusted
IWC	0.622	0.621
OI	0.578	0.571

f^2 Effect Size

A measure of the effects magnitude that is independent of sample size is the f^2 with values of 0.35 or higher 0.15 or 0.02 denoting large medium or weak effect sizes respectively (Benitez et al., 2020). Table 6 shows the values for f^2 effect size.

Table 6: f^2 Effect Size

	DMP	IWC	OC	OI
DMP		1.647		0.039
IWC				0.063
OC				0.074

A measure of the effects magnitude that is independent of sample size is the f^2 with values of 0.35 or higher 0.15 or 0.02 denoting large medium or weak effect sizes respectively (Benitez et al., 2020).

DISCUSSION

The first hypothesis, which is supported by statistical analysis and findings presented asserts that diversity management practices have a noteworthy and positive influence on organizational innovation. Diversity Management is shown to positively impact organizational innovation, aligning with the results provided by Gupta et al. (2022) as well as Ahmed et al. (2023), which claim that diverse perspectives enrich problem-solving and creativity. It is possible to go into great detail about the topic understanding diversity administration techniques including their consequences towards company innovation focusing upon their impacts. Hypothesis 2, which asserts that an inclusive workplace and diversity management practices have a significant impact on every individual has been proven. Comprehensive diversity management practices, extensive instruction in diversity, accommodating rules and regulations, fostering conversation and transparent interaction, and offering opportunities cooperation are all ways that organizations can create inclusive environments (Ahmad and Adams, 2023). Additionally, Banerjee (2020) argues that diversity and inclusion may want to greatly increase company social responsibility in addition to creating company cultures. This is due to the organization's top management and staff working

together successfully and efficiently to produce results. Well-being, work engagement, and social integration are all enhanced by inclusive management. (Jerónimo., Henriques & Carvalho, 2022; Ahmad, Ali, & Sewani, 2021; Imran, et al, 2023). An inclusive work environment and organizational innovation are strongly and positively correlated according to Hypothesis 3. This is because innovation increases when employees are involved and as a result, sectors like banking and IT generate more fruitful outcomes. According to Li and Tang (2022), inclusive leadership enhances creative performance on both a team and individual level. with psychological safety and empowerment playing mediating roles. According to the fourth hypotheses, organizational innovation and diversity management practices are significantly correlated, with an inclusive workplace acting as a mediating factor. A diverse workplace encourages high levels of employee inclusion and enhanced innovation. Employee participation and engagement are increased through information sharing and the use of their expertise and ability to help the business succeed, which ultimately improves their performance in a way that benefits customers and raises overall performance. (Nyagadza et al., 2022; Ranta & Ylinen., 2023; Rodprayoon & Maj., 2021). Hypothesis 5 states that organizational culture has a moderating effect on how diversity and innovation are managed within the company. This hypothesis is not supported. According to Ashipaoyloye, (2014), an organization's culture is deemed weak if its values and beliefs are not widely and strongly held. This implies that members of the organization rely more on their own personal standards, values and beliefs. Businesses with poor organizational cultures tend to be more unpredictable and make fewer investments in ways that are appropriate for their culture (Taurisa & Ratnawati, 2012).

Conclusion

The results confirm a strong correlation between organizational innovation and diversity management strategies. This emphasizes how crucial it is to actively manage diversity as a strategic endeavor to promote innovation and maintain competitiveness in present-day lightning-fast corporate climate. The link among innovation in organizations along with diverse management practices is mediated by an inclusive workplace. This demonstrates how developing a diverse work environment where workers are felt encouraged, respected, as well as empowered is crucial to turning initiatives into real innovation outcomes. Additionally, our analysis found that the relationship between organizational innovation and diversity management practices is not mediated by organizational culture. particularly, cultures that aren't supportive of diversity and innovation generally tend to make bigger the negative effects of diversity management practices on innovation effects.

Limitations and Future Research Directions

It is also necessary to note some limitations to properly interpret the study's findings. Initially, this study was carried out in Pakistan's banking or IT industries. The current

study's sample size is likewise limited to a particular number of respondents. Future research can focus on employees working in other sectors. Furthermore, the current study's sample size is restricted to a particular group of respondents primarily from Pakistan's Punjab province. Subsequent research endeavors may concentrate on additional Pakistani provinces with an equivalent number of participants from each province.

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