

Article

Workplace Diversity and Inclusion Practices Affecting Team Performance and Innovation

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Abstract: This study explores the impact of workplace diversity and inclusion (D&I) practices on team performance and innovation within organizational settings. The research aims to understand how diverse teams and inclusive environments contribute to enhanced collaboration, problem-solving, and creative outcomes. Using a mixed-method approach involving quantitative surveys and qualitative interviews across multiple industries, the study identifies key D&I strategies that foster psychological safety and knowledge sharing. The findings suggest that inclusive leadership, equitable policies, and cultural competence significantly boost team synergy and drive innovative behavior. Moreover, teams that experience high levels of inclusion demonstrate stronger adaptability and generate more novel ideas. The implications of this research highlight the importance of embedding D&I principles in organizational culture to sustain competitive advantage and long-term performance. These insights are valuable for HR professionals, managers, and policymakers committed to creating inclusive workplaces that harness the full potential of diverse talent.

Keywords: Diversity, Inclusion, Innovation, Team Performance, Workplace.

1. Introduction

In today's globalized economy, workforce diversity and inclusive practices have become increasingly central to organizational effectiveness. Organizations across industries are recognizing that diverse teams—comprising individuals of different genders, ethnicities, experiences, and abilities—can enhance problem-solving and decision-making capabilities. Diversity alone, however, does not guarantee improved outcomes unless it is accompanied by inclusive practices that foster equal participation and value each member's contribution (Shore et al., 2011). As businesses strive for innovation and agility, understanding the mechanisms through which diversity and inclusion (D&I) affect team dynamics is critical.

Numerous studies have affirmed the positive link between D&I and team performance. Diverse teams are more likely to bring varied perspectives, which enriches the pool of ideas and leads to higher levels of creativity and innovation (Page, 2007; van Knippenberg et al., 2004). However, the presence of diversity can also lead to interpersonal conflicts or misunderstandings if not managed within an inclusive climate. Inclusion—defined as the extent to which individuals feel valued, respected, and integrated into the team—acts as a moderator, enabling organizations to capitalize on the benefits of diversity (Nishii, 2013).

Despite a growing body of literature on D&I, there remains a gap in empirical understanding of how specific inclusion practices—such as inclusive leadership, equitable HR policies, and psychological safety—translate into measurable team outcomes. Existing research has often treated diversity and inclusion as binary variables, without delving into the nuanced ways in which they interact (Mor Barak, 2015). Furthermore, few studies have integrated both qualitative and quantitative methods to examine the lived experiences of employees in diverse teams, particularly across different industries.

This research seeks to fill this gap by adopting a mixed-method approach to explore how workplace D&I practices affect team performance and innovation. It examines not only the structural aspects of inclusion but also the cultural and behavioral factors that influence team effectiveness. By combining survey data and in-depth interviews, the study offers a holistic view of the D&I landscape and its implications for collaborative innovation.

Received: April 24, 2025

Revised: May 26, 2025

Accepted: June 12, 2025

Published: June 25, 2025

Curr. Ver.: June 25, 2025



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The main objective of this study is to identify key D&I strategies that significantly influence team performance and foster innovation. By doing so, the research aims to provide practical insights for organizations seeking to build inclusive cultures that leverage diversity as a strategic advantage. The findings will be particularly relevant for HR professionals, managers, and policymakers who aim to design and implement effective D&I frameworks in the workplace.

2. Preliminaries or Related Work or Literature Review

The theoretical foundation of this study is grounded in the social identity theory and the inclusive workplace framework. Social identity theory (Tajfel & Turner, 1986) posits that individuals categorize themselves and others into social groups, influencing group dynamics and intergroup relations. In diverse teams, the presence of multiple identity groups can enhance creativity but may also lead to social categorization and in-group/out-group bias, potentially hindering collaboration. To overcome this, the inclusive workplace model emphasizes organizational policies and practices that promote equal access, participation, and a sense of belonging for all employees (Mor Barak, 2015).

Inclusion is not merely the presence of diversity, but the active engagement of all individuals regardless of their demographic background. Nishii (2013) introduced the concept of perceived inclusion, highlighting that employees' subjective experiences of being included significantly affect their motivation and engagement. When employees feel included, they are more likely to contribute ideas, collaborate effectively, and support innovation. Inclusive leadership, characterized by openness, accessibility, and support for diverse viewpoints, is one of the most effective drivers of an inclusive climate (Carmeli et al., 2010).

From a performance perspective, the input-process-output (IPO) model of team effectiveness (Ilgen et al., 2005) provides a framework to understand how diversity (input) interacts with inclusion practices (process) to generate outcomes such as innovation and team performance (output). Research has shown that inclusive climates mitigate process losses such as conflict or exclusion and instead enhance psychological safety, knowledge sharing, and team cohesion (Edmondson & Lei, 2014; Shore et al., 2011). Thus, inclusion serves as a crucial mechanism through which diversity can be translated into positive team outcomes.

Several empirical studies have confirmed the positive effects of D&I practices on innovation. For instance, a study by Horwitz and Horwitz (2007) found that task-related diversity positively influenced team performance, particularly when managed within inclusive environments. Similarly, Homan et al. (2008) argued that diversity beliefs and inclusive norms significantly shape how diversity is perceived and utilized in teams. These findings support the notion that managing diversity through inclusion is essential to harnessing its full potential.

This research assumes that organizations that implement robust D&I practices—such as inclusive leadership, equitable HR policies, and psychological safety—will experience enhanced team performance and innovation. Although no explicit hypotheses are stated, the study operates under the assumption that inclusion moderates the relationship between diversity and team outcomes. These theoretical insights guide the research design and the interpretation of findings in organizational contexts.

3. Proposed Method

This study employed a mixed-method research design, integrating both quantitative and qualitative approaches to obtain a comprehensive understanding of how workplace diversity and inclusion (D&I) practices influence team performance and innovation. The use of a mixed-method approach allows triangulation of data, thereby enhancing the reliability and depth of the findings (Creswell & Plano Clark, 2018).

The population of this study consisted of employees working in medium to large-scale organizations across various industries in Indonesia, including technology, healthcare, finance, and education sectors. A purposive sampling method was used to select 200 respondents for the quantitative phase, ensuring that participants represented diverse demographic backgrounds and work teams. For the qualitative phase, 15 individuals were

selected for semi-structured interviews based on their roles in D&I initiatives or leadership positions in team-based work environments.

Data collection utilized two instruments. First, a structured questionnaire was adapted from validated scales to measure key variables: perceived inclusion (Nishii, 2013), inclusive leadership (Carmeli et al., 2010), team performance (Ilgen et al., 2005), and innovation behavior (Scott & Bruce, 1994). The questionnaire used a five-point Likert scale ranging from strongly disagree (1) to strongly agree (5). Second, interview protocols were developed to explore participants' perceptions and experiences of D&I practices in their organizations. The validity and reliability tests of the instruments were conducted using Cronbach's alpha ($\alpha > 0.70$), indicating acceptable internal consistency for all variables measured.

Quantitative data were analyzed using structural equation modeling (SEM) with AMOS 26.0 software to examine the relationships between variables and test the proposed model. The goodness-of-fit indices used include CFI, RMSEA, and TLI (Hair et al., 2010). The qualitative data were analyzed thematically using coding and pattern-matching techniques to identify recurring themes related to inclusive behaviors, team collaboration, and innovation outcomes (Braun & Clarke, 2006).

The conceptual model for this study posits that inclusive leadership (IL) and perceived inclusion (PI) act as mediating variables between diversity (D) and team performance (TP) and innovation (IN). In symbolic form:

$$D \rightarrow PI \rightarrow TP / IN$$

$$IL \rightarrow PI \rightarrow TP / IN$$

where D = Diversity, IL = Inclusive Leadership, PI = Perceived Inclusion, TP = Team Performance, and IN = Innovation. This model is informed by the Input-Process-Output (IPO) framework of team effectiveness (Ilgen et al., 2005) and the inclusive workplace theory (Mor Barak, 2015).

4. Results and Discussion

Data collection was conducted over a two-month period, from March to April 2025, across four major cities in Indonesia: Jakarta, Bandung, Surabaya, and Yogyakarta. A total of 200 valid responses were obtained from employees working in medium to large organizations representing various industries, including technology, healthcare, and financial services. In addition, 15 in-depth interviews were conducted with team leaders and HR personnel to triangulate the findings.

Quantitative data analysis using Structural Equation Modeling (SEM) with AMOS 26.0 showed that inclusive leadership (IL) and perceived inclusion (PI) had a significant positive impact on both team performance (TP) and innovation (IN). The model fit indices confirmed a good model fit (CFI = 0.941, RMSEA = 0.045, TLI = 0.927), indicating that the hypothesized relationships were empirically supported.

Table 1. Standardized Regression Weights

Pathway	Coefficient (β)	p-value
IL \rightarrow PI	0.64	< 0.001
PI \rightarrow TP	0.58	< 0.001
PI \rightarrow IN	0.61	< 0.001
IL \rightarrow TP (direct effect)	0.22	0.014
IL \rightarrow IN (direct effect)	0.25	0.009

Source: Processed data (2025)

The results indicate that inclusive leadership significantly enhances employees' perception of inclusion ($\beta = 0.64$, $p < 0.001$), which in turn strongly affects both team performance ($\beta = 0.58$, $p < 0.001$) and innovation ($\beta = 0.61$, $p < 0.001$). Although inclusive

leadership also has a direct positive effect on performance and innovation, the stronger indirect effects through perceived inclusion suggest a mediating role, consistent with the IPO (Input-Process-Output) framework (Ilgen et al., 2005).

These findings align with previous studies that emphasize the role of inclusive leadership in fostering psychological safety and innovation (Carmeli et al., 2010; Edmondson & Lei, 2014). The qualitative interviews reinforced this, with several participants highlighting that inclusive team leaders created an environment where diverse perspectives were welcomed and experimentation was encouraged. One interviewee stated, “When I know my ideas are valued, even if they’re unconventional, I’m more motivated to share and improve them.”

However, the results also revealed that the presence of diversity alone, without a strong inclusion climate, did not significantly correlate with performance or innovation. This finding supports the argument by Nishii (2013) that inclusion—not just diversity—is the key driver of positive team outcomes.

From a theoretical standpoint, the study confirms and extends the inclusive workplace model (Mor Barak, 2015) and social identity theory (Tajfel & Turner, 1986) by illustrating how leadership and perceived inclusion can mitigate intergroup bias and unlock the benefits of diversity. Practically, the results suggest that organizations should invest in leadership development programs focused on inclusive behaviors and ensure that D&I policies are not only formalized but also felt at the team level.

These insights are crucial for HR professionals and organizational leaders aiming to design and sustain high-performing and innovative teams. As organizations increasingly operate in diverse and global environments, creating inclusive micro-climates within teams becomes a strategic imperative.

5. Conclusions

Based on the findings of this study, it can be concluded that inclusive leadership and perceived inclusion significantly influence team performance and innovation within diverse organizational settings. Inclusive leadership fosters a sense of belonging and psychological safety, which enhances team members’ willingness to share ideas and collaborate effectively—ultimately leading to improved performance and innovation outcomes (Carmeli et al., 2010; Edmondson & Lei, 2014). The evidence confirms that diversity alone does not yield optimal results unless supported by strong inclusion practices (Nishii, 2013; Mor Barak, 2015). While the research provides valuable insights for HR practitioners and organizational leaders seeking to implement diversity and inclusion (D&I) strategies, it should be interpreted with caution due to its reliance on self-reported data and the limited geographical focus within Indonesia. Future research is recommended to expand the sample size across different cultural and organizational contexts and to incorporate longitudinal methods to better understand causal relationships. Furthermore, exploring digital inclusion and hybrid work environments could offer additional perspectives as remote collaboration becomes increasingly common. These directions will enrich the current understanding of how D&I practices evolve and affect organizational effectiveness over time (Shore et al., 2011; Ilgen et al., 2005).

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