Diversity and Inclusion Initiatives: Influence on Organizational Performance

Inisiatif Keberagaman dan Inklusi: Pengaruhnya terhadap Kinerja Organisasi

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ABSTRACT
Employee retention is an important challenge for organizations today. This study proposes a research framework for understanding how diversity and inclusion can influence employee retention through job satisfaction. The theoretical basis of this research is based on existing literature on inclusive leadership, quality of work life, work-life balance, leaders’ emotional intelligence, and compensation as factors that influence job satisfaction. The proposed model proposes that diversity and inclusion have a positive indirect effect on employee retention through job satisfaction. Further research using this framework can help organizations develop strategies to increase employee retention by building more diverse and inclusive work environments.

Keywords: Diversity, Inclusion, Employee Retention, Job Satisfaction

ABSTRAK
Retensi karyawan merupakan tantangan penting bagi organisasi saat ini. Penelitian ini mengusulkan kerangka kerja penelitian untuk memahami bagaimana keberagaman dan inklusi dapat memengaruhi retensi karyawan melalui kepuasan kerja. Landasan teori penelitian ini didasarkan pada literatur yang ada tentang kepemimpinan inklusif, kualitas hidup kerja, keseimbangan kehidupan kerja, keterdamaan emosional pemimpin, dan kompensasi sebagai faktor-faktor yang mempengaruhi kepuasan kerja. Model yang diusulkan mengusulkan bahwa keberagaman dan inklusi memiliki efek tidak langsung yang positif terhadap retensi karyawan melalui kepuasan kerja. Penelitian lebih lanjut menggunakan kerangka kerja ini dapat membantu organisasi mengembangkan strategi untuk meningkatkan retensi karyawan dengan membangun lingkungan kerja yang lebih beragam dan inklusif.

Kata Kunci: Keberagaman, Inklusi, Retensi Karyawan, Kepuasan Kerja

1. Introduction
Diversity and inclusion initiatives have become a focal point in organizational management, with a growing body of research exploring their impact on organizational performance. While some studies, such as (Carter et al., 2010), have not found a significant relationship between gender or ethnic diversity on boards and financial performance, others, like (Martins, 2020), suggest that the vision and actions of senior leaders play a crucial role in shaping the benefits of diversity and inclusion efforts on organizational performance. The study by Barak et al. (2021) highlights the importance of inclusive climates in maximizing the positive effects of diversity on organizational functioning.

Furthermore, initiatives focusing on diversity and inclusion have evolved to encompass a broader spectrum of factors beyond race and gender, as organizations aim to leverage diverse talents and integrate inclusion into their core mission, as noted by (Lightfoote et al., 2014). The study by Gould et al. (2020) identifies key practices, such as diversity and inclusion statements and targeted recruitment plans, that organizations employ to promote disability inclusion. Additionally, research by Jirincova (2013) emphasizes the significance of understanding the
perspectives of potential future managers, such as university students, on diversity and inclusion, as they will shape the future landscape of organizational management practices.

Overall, the synthesis of these studies underscores the multifaceted nature of diversity and inclusion initiatives and their varying impacts on organizational performance. While some research may not find a direct link between diversity metrics and financial outcomes, the broader consensus suggests that inclusive leadership, supportive climates, and strategic alignment with organizational goals are crucial for maximizing the benefits of diversity and inclusion efforts.

Diversity and inclusion initiatives play a pivotal role in shaping organizational performance. These initiatives are designed to cultivate an environment where individuals from diverse backgrounds are respected, valued, and included, thereby yielding numerous advantages:

Firstly, they contribute to enhanced employee engagement, driving up productivity and job satisfaction (Wagner, et al. 2022). Secondly, they stimulate creativity and innovation by harnessing a wealth of diverse perspectives and ideas (Wagner, et al. 2022). Additionally, they facilitate better decision-making processes by incorporating a broad spectrum of viewpoints, leading to more favorable outcomes (Wagner, et al. 2022). Moreover, organizations that prioritize diversity and inclusion often enjoy an improved reputation, which can attract top talent and customers alike (Ross, et al. 2014). Furthermore, such initiatives aid in ensuring compliance with regulations pertaining to anti-discrimination laws, thereby mitigating legal risks (Ross, et al. 2014). Studies further indicate that companies with more diverse workforces tend to exhibit better financial performance (Wagner, et al. 2022). Finally, a diverse workforce serves as a better reflection of the businesses organizations serve, allowing for a richer array of perspectives that can bolster performance (Ross, et al. 2014). In conclusion, diversity and inclusion initiatives can have a positive influence on organizational performance by fostering engagement, creativity, better decision-making, improved reputation, compliance with regulations, improved financial performance, and better reflection of the businesses an organization serves.

In an increasingly diverse and complex global panorama, research on the influence of diversity and inclusion initiatives on organizational performance becomes increasingly relevant and important. Workplace diversity and inclusion initiatives are becoming a major focus of attention for organizations that recognize inclusive values as the foundation for long-term growth, innovation and sustainability. Research in this domain not only provides a deeper understanding of how these practices influence overall organizational performance, but also provides valuable direction for practitioners and stakeholders in designing and implementing effective diversity strategies.

Implementing diversity and inclusion initiatives presents organizations with various challenges that hinder their effectiveness. Firstly, some organizations lack awareness and understanding of the significance of diversity and inclusion, resulting in a lack of commitment to these initiatives. Secondly, resistance to change from both employees and management can impede efforts to cultivate a more inclusive culture. Moreover, the scarcity of resources, including time, finances, and personnel, poses a barrier to implementing comprehensive diversity and inclusion strategies. Additionally, measuring the impact of these initiatives on organizational performance proves challenging, complicating efforts to assess their effectiveness. Furthermore, inadequate training and support for employees hinder their ability to embrace and execute diversity and inclusion initiatives successfully. Lastly, the absence of top-level commitment and leadership support may lead to insufficient prioritization and resourcing of diversity and inclusion efforts. To address these challenges, organizations must prioritize increasing awareness and understanding of diversity and inclusion, allocate adequate resources and support, and secure commitment from top leadership to ensure the success of these initiatives (Amin, 2022; Chaudhry, 2022)
The importance of research on the influence of diversity and inclusion initiatives on organizational performance can be seen from several basic reasons. First, this research makes it possible to understand the direct and indirect impacts of diversity and inclusion practices on various aspects of organizational performance, including productivity, customer satisfaction, innovation, and profitability. In the context of increasingly fierce global competition, a deep understanding of how diversity and inclusion initiatives influence key performance factors is crucial for organizations that want to maintain a leading position.

Second, this research provides insight into the mechanisms and factors that moderate the relationship between diversity and inclusion initiatives and organizational performance. By understanding the context and conditions in which diversity and inclusion practices are most effective, organizations can develop more targeted and relevant strategies for promoting healthy and inclusive diversity.

Additionally, this research provides a strong empirical basis for policymakers and other stakeholders to support and encourage diversity and inclusion practices in the workplace. With solid data and empirical evidence, decision makers can have more confidence in allocating resources and taking concrete steps to increase diversity and inclusion in their organizations.

Thus, research on the influence of diversity and inclusion initiatives on organizational performance not only enriches the academic literature, but also makes significant contributions to human resource management practices, policy makers, and society at large. A better understanding of the relationship between diversity and inclusion and organizational performance can open the door to sustainable renewal in organizational culture and structure, strengthening the foundations for inclusive economic and social growth.

2. Research Methods
The research method used in this study is the Systematic Literature Review approach. Article searches were carried out through international databases including Scopus, Web of Science, PubMed, and PsycINFO. Keywords used in the search included terms such as “Diversity and Inclusion Initiatives,” “Organizational Performance,” “Employee Retention,” “Job Satisfaction,” “Multilevel Analysis,” and “Systematic Literature Review.” Once initial search results were obtained, relevant articles were selected based on predetermined inclusion criteria, including relevance to the research topic, availability in English, complete format, and relevant publication period. Articles that did not meet the inclusion criteria or were not related to the research topic were rejected. Next, the selected articles were evaluated for quality, and relevant information was extracted for further analysis. Data from the extracted articles was then synthesized to provide a comprehensive picture of the relationship between diversity and inclusion initiatives and employee retention and job satisfaction at various organizational levels. By using a Systematic Literature Review approach, it is hoped that this study can present reliable and in-depth research results on the topic studied.

3. Results and Discussions
3.1 Definition of diversity and inclusion
Diversity and inclusion are fundamental concepts in various fields, including management, education, and social psychology. In the workplace, inclusion is described as the removal of barriers to enable full participation and contribution of employees (Shore et al., 2010). It involves allowing diverse individuals to participate and contribute fully (Shore et al., 2010). Diversity encompasses differences among individuals, including demographic factors like gender, race, ethnicity, and country of origin (Boyce et al., 2022). In organizations, diversity, equity, and inclusion (DEI) are crucial for understanding cross-cultural performance (Feitosa et al., 2022).

In education, there are different discourses on inclusive education, with debates between "inclusion for some" and "inclusion for all" (Leijen et al., 2021). The former focuses on
providing quality education for children with special needs by specially trained staff, while the latter advocates for all children, regardless of their diverse needs, to learn together (Leijen et al., 2021). In academic medicine, diversity and inclusion are evolving, with broader definitions now including LGBTQ+ individuals, people with disabilities, and a holistic approach to evaluating applicants (Nivet, 2015).

Moreover, the concept of diversity extends beyond traditional markers like race and gender to include secondary dimensions such as communication style and organizational role (Kapoor, 2011). Inclusive education is not uniformly defined and is implemented differently across countries, leading to diverse attitudes among stakeholders (Pirchio et al., 2022). In the context of health care, diversity, equity, inclusion, and justice (DEIJ) are essential for valid decision-making in water governance and management (Williams et al., 2023).

Overall, diversity and inclusion are multifaceted concepts that are essential for creating equitable environments in various settings, from workplaces to educational institutions and healthcare systems. Embracing diversity and fostering inclusion not only benefits individuals but also contributes to the overall success and well-being of organizations and societies.

### 3.2 Theories about the relationship between diversity, inclusion, employee retention, and job satisfaction

Diversity and inclusion in the workplace have been extensively studied in relation to employee retention and job satisfaction. Mor Barak’s theoretical model emphasizes that diversity and organizational culture influence perceptions of inclusion-exclusion, impacting job satisfaction, commitment, well-being, and performance (Panicker & Khandelwal, 2018). This highlights the distinction between diversity management, which focuses on recruitment and training, and inclusion, which removes barriers to enhance overall performance (Sabharwal, 2014). Additionally, research suggests that diversity management can improve job satisfaction by reducing perceived discrimination, especially for employees with high openness to experience (Alam & Shin, 2020).

Moreover, studies by (Holmes, 2023), and Bharadwaj et al. (2021) indicate that feelings of inclusion are strongly associated with satisfaction, pride in the workplace, and camaraderie, which are crucial for employee well-being and retention. They propose a framework linking employer branding, job satisfaction, organizational identification, and employee retention, highlighting the indirect relationship between these factors (Chordiya, 2018). Furthermore, study’s work suggests that organizational inclusion moderates the relationship between child care programs and employee retention, emphasizing the importance of fairness, supportiveness, and empowerment in fostering retention.

In conclusion, the literature underscores the significance of diversity and inclusion in promoting job satisfaction, employee retention, and organizational performance. By fostering inclusive environments, organizations can enhance employee well-being, commitment, and engagement, ultimately leading to improved retention rates and job satisfaction.

### 3.3 A conceptual model that describes the interactions between these variables

To develop a comprehensive conceptual model that describes the interactions between diversity, inclusion, employee retention, and job satisfaction, we can draw insights from several key references. Dahleez et al. (2023) propose a model that links inclusive leadership to employees’ job satisfaction through the mediating mechanisms of thriving at work and psychological ownership. This suggests that inclusive leadership plays a crucial role in influencing job satisfaction.

Rubel et al. (2023) present a hierarchical model showing a positive relationship between quality of work life (QWL) and job satisfaction, employee retention, and in-role
performance. This indicates that enhancing QWL can lead to improved job satisfaction and retention.

Aman-Ullah et al. (2022) found that job satisfaction mediates the relationship between work-life balance and employee retention. This highlights the importance of considering work-life balance factors in promoting job satisfaction and ultimately retaining employees.

Alzyoud et al. (2019) demonstrate the significant mediation of job satisfaction in the relationship between leaders’ emotional intelligence and employee retention. This suggests that emotional intelligence of leaders can impact retention through its influence on job satisfaction.

Furthermore, Aman-Ullah et al. (2022) confirm the mediation effect of job satisfaction between compensation and employee retention. This emphasizes the role of job satisfaction in mediating the impact of compensation on retaining employees.

By integrating these findings, a conceptual model can be constructed where inclusive leadership, quality of work life, emotional intelligence of leaders, work-life balance, compensation, and job satisfaction are key factors influencing employee retention. This model underscores the intricate relationships between these variables and highlights the importance of fostering a supportive work environment that promotes diversity, inclusion, and employee well-being to enhance retention and job satisfaction.

3.4 Inegetive diversity and inclusion in the workplace: A review of current practices

Workplace diversity and inclusion initiatives are essential for creating a positive work environment and enhancing organizational performance. Research indicates that while efforts to address discrimination in the workplace are prevalent, there is a growing need to focus on strategies that promote inclusion (Shore et al., 2010). Inclusive leadership is crucial for establishing an inclusive climate, emphasizing the importance of aligning policies with actual practices (Barak et al., 2021). Workplace diversity programs typically target increasing the representation of underrepresented groups, eradicating discrimination, preventing harassment, and fostering inclusion (Schmidt et al., 2012).

Implementing diversity training, mentoring, recruitment, and management development programs can improve integration, cultivate an inclusive culture, and attract a diverse customer base (Bezrukova et al., 2012). Moreover, diversity and inclusion initiatives are key for boosting employee engagement and shaping inclusive workplace environments (Gould et al., 2021). Organizations that prioritize diversity and inclusion practices often experience advantages such as enhanced innovation and improved employee well-being (Chaudhry et al., 2021).

Inclusive Human Resource Management (HRM) practices and employee learning-oriented behaviors can help mitigate the adverse effects of workforce diversity, including discrimination and conflicts (Liu et al., 2023). Additionally, diversity practices and inclusion have been associated with building trust and increasing employee engagement, both critical for organizational success (Downey et al., 2014). Establishing clear standards for diversity and inclusion practices is vital for ensuring their efficacy within organizations (Ferdman, 2013).

In summary, workplace diversity and inclusion initiatives are multifaceted and require a holistic approach involving leadership commitment, policy-action alignment, training implementation, and the promotion of an inclusive culture. By prioritizing diversity and inclusion, organizations can establish a fair, engaging, and innovative work environment.

3.5 The relationship between diversity and inclusion and employee retention at various organizational levels

Diversity and inclusion are crucial factors in employee retention across various organizational levels. Research has shown that diversity practices and inclusion are associated
with trust, employee engagement, and a positive work environment (Downey et al., 2014). Inclusive organizational practices have been found to improve decision-making quality, creativity, and employee commitment. Conversely, issues related to diversity that hinder group identification can lead to decreased retention and satisfaction levels (Ashikali & Groeneveld, 2013). Employee well-being is positively influenced by perceived diversity and inclusion, with inclusion defined by fairness, integration of differences, and leadership commitment to diversity (Jaiswal & Dyaram, 2019).

Studies have demonstrated that inclusion can moderate the impact of diversity practices on employee outcomes, such as trust and engagement, especially when employees feel a strong sense of inclusion (Gotis & Grimani, 2016). Additionally, an inclusive multicultural diversity approach has been linked to increased support for organizational diversity efforts among majority members (Jansen et al., 2015). Organizational inclusion has been shown to positively moderate the connection between child care programs and employee retention, highlighting the significance of fairness, supportiveness, and openness in organizations (Chordiya, 2018).

Inclusive climates within organizations have been connected to higher levels of affective commitment among employees, indicating that when employees feel valued and appreciated for their unique characteristics, they are more committed to the organization (Li et al., 2019). The influence of diversity and inclusion on perceptions of organizational justice varies based on gender and race, emphasizing the need for tailored diversity and inclusion initiatives (Hoang et al., 2022). Moreover, the relationship between diversity management and organizational performance is influenced by diversity-inclusive leadership dimensions, emphasizing the importance of inclusive practices in driving organizational success (HANIF et al., 2023).

In conclusion, the amalgamation of these references underscores the critical role that diversity and inclusion play in shaping employee retention, well-being, commitment, and organizational performance. By cultivating inclusive environments, organizations can enhance employee engagement, trust, and satisfaction, ultimately leading to improved retention rates across diverse workforce segments.

**3.6 The impact of diversity and inclusion initiatives on job satisfaction**

Diversity and inclusion initiatives have a significant impact on job satisfaction. Research by Li et al. (2020) in the Chinese hospitality industry found a positive effect of workforce diversity management on both job satisfaction and job performance. Similarly, Ohunakin et al. (2019) demonstrated a positive relationship between diversity management, inclusion, and employees’ job satisfaction and performance in a multinational corporation setting. Furthermore, Madera et al. (2016) highlighted the importance of psychological diversity in enhancing organizational justice, which in turn directly influences job satisfaction.

Moreover, Pitts (2009) emphasized the strong link between diversity management and job satisfaction, particularly noting that people of color benefit from diversity management initiatives beyond what white employees experience. Additionally, research by Shore et al. (2010) indicated that inclusion is related to job satisfaction and turnover intentions, further underlining the positive impact of inclusive practices on employee satisfaction.

Furthermore, studies by Khan & Jabeen (2019) and Pink-Harper et al. (2016) emphasized the role of inclusion in increasing job satisfaction and organizational citizenship behavior, especially in diverse work environments. These findings suggest that creating an inclusive workplace through diversity initiatives not only enhances job satisfaction but also contributes to overall organizational performance.

In conclusion, the evidence from these studies supports the notion that diversity and inclusion initiatives play a crucial role in improving job satisfaction among employees. By
fostering a diverse and inclusive environment, organizations can positively impact employee well-being, performance, and overall satisfaction.

**Research Conceptual**

![Figure 1. Research Conceptual](image.png)

**Hypothesis**

**H1:** Diversity and inclusion have a positive indirect effect on employee retention through job satisfaction. Diverse and inclusive workplaces are hypothesized to foster higher job satisfaction, which in turn leads to increased employee retention.

**4. Conclusions**

This research framework proposes a model for understanding how diversity and inclusion can contribute to employee retention. This model is based on the premise that a diverse and inclusive work environment will increase employee job satisfaction, which in turn will encourage them to stay with the company longer.

Findings from the existing literature support this relationship. Inclusive leadership, good quality of work life, work-life balance, leader emotional intelligence, and competitive compensation are all considered factors that contribute to job satisfaction.

Further research using this framework could test the key hypothesis: diversity and inclusion have a positive indirect effect on employee retention through job satisfaction. By identifying and implementing practices that encourage diversity, inclusion, and other factors mediated by job satisfaction, organizations can increase employee retention and reap the benefits of a diverse and engaged workforce.

These conclusions highlight the potential of the research framework to explain the relationship between diversity, inclusion, job satisfaction, and employee retention. Future research using this framework could provide valuable contributions to organizations' efforts to build diverse, inclusive, and sustainable workforces.

**5. References**


