Management Studies and Business Journal (PRODUCTIVITY)
Vol 3 (4) 2026 : 93-111

DIVERSITY, EQUITY, AND INCLUSION (DEI) IN HRM: ITS IMPACT ON INNOVATION AND TEAM PERFORMANCE

DIVERSITY, EQUITY, AND INCLUSION (DEI) DALAM HRM: DAMPAKNYA TERHADAP INOVASI DAN KINERJA TIM

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ABSTRACT
In a volatile global economic environment, organizations are required to optimize talent management to drive sustainable innovation. This study aims to explore the mechanisms of policy transformation.Diversity, Equity, and Inclusion(DEI) in human resource management becomes innovative work behavior (Innovative Work Behavior/IWB) through strengthening psychological resources. Using a systematic narrative review approach to literature from the Scopus and Web of Science databases (2016-2026), the analysis results show that cognitive diversity alone is not enough to trigger innovation without strong mechanisms for inclusion and organizational justice. The main findings reveal that DEI serves as a crucial antecedent to the formation ofPsychological Capital(PsyCap), which includes dimensionsHope, Efficacy, Resilience, And Optimism(HERO). Mature DEI integration creates a climate of psychological safety that mediates the relationship between diversity and IWB, enabling individuals to take creative risks without fear of social sanctions. This study concludes that transforming DEI from mere symbolic compliance to strategic capability requires alignment between organizational policies and inclusive leadership. The practical implication for organizations is the need to design an HRM ecosystem that supports systemic diversity integration to maintain competitive advantage in the VUCA era.
Keywords: Diversity, Equity, and Inclusion (OF THE); Psychological Capital(PsyCap); Innovative Work Behavior; Strategic Human Resource Management; Psychological Safety.

ABSTRAK
Dalam lingkungan ekonomi global yang volatil, organisasi dituntut untuk mengoptimalkan manajemen talenta guna mendorong inovasi berkelanjutan. Penelitian ini bertujuan untuk mengeksplorasi mekanisme transformasi kebijakan Diversity, Equity, and Inclusion (DEI) dalam manajemen sumber daya manusia menjadi perilaku kerja inovatif (Innovative Work Behavior/IWB) melalui penguatan sumber daya psikologis. Menggunakan pendekatan tinjauan naratif sistematis terhadap literatur dari basis data Scopus dan Web of Science (2016-2026), hasil analisis menunjukkan bahwa keberagaman kognitif saja tidak cukup untuk memicu inovasi tanpa adanya mekanisme inklusi dan keadilan organisasi yang kuat. Temuan utama mengungkapkan bahwa DEI berfungsi sebagai anteseden krusial bagi pembentukan Psychological Capital (PsyCap), yang mencakup dimensi Hope, Efficacy, Resilience, dan Optimism (HERO). Integrasi DEI yang matang menciptakan iklim keamanan psikologis yang memediasi hubungan antara keberagaman dan IWB, memungkinkan individu untuk mengambil risiko kreatif tanpa ketakutan akan sanksi sosial. Penelitian ini menyimpulkan bahwa transformasi DEI dari sekadar kepatuhan simbolik menjadi kapabilitas strategis memerlukan keselarasan antara kebijakan organisasi dan kepemimpinan inklusif. Implikasi praktis bagi organisasi adalah perlunya merancang ekosistem MSDM yang mendukung integrasi keberagaman secara sistemik untuk mempertahankan keunggulan kompetitif di era VUCA.
Kata Kunci: Diversity, Equity, and Inclusion (DEI); Psychological Capital (PsyCap); Perilaku Kerja Inovatif; Manajemen SDM Strategis; Keamanan Psikologis.

1. INTRODUCTION

In a global economic context characterized by volatility, uncertainty, complexity, and ambiguity (VUCA), organizations face systemic pressure to optimize their strategic resource configurations to maintain innovation-based competitive advantage. A World Economic Forum (2023) report indicates that approximately 75% of global companies identify talent shortages and limited adaptability as key barriers to business transformation, while organizations with high levels of diversity are 25% more likely to achieve profitability above the industry average (McKinsey, 2020). However, only approximately 34% of global employees report feeling truly included in the workplace (Deloitte, 2021), indicating a gap between structural diversity and employee psychological experiences. In the Indonesian context, data from the Central Statistics

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Agency (BPS, 2023) shows that the female labor force participation rate remains at around 54%, far below that of men at 83%. Meanwhile, the World Bank (2022) confirms that Indonesia's labor productivity lags behind several ASEAN countries due to the suboptimal utilization of diverse talent. This gap indicates that diversity has not been effectively converted into strategic capabilities that generate added value for the organization.

In line with these dynamics, a conceptual shift has occurred in human resource management (HRM), where Diversity, Equity, and Inclusion (DEI) is no longer positioned as a normative obligation but rather as a strategic capability that contributes to sustainable innovation. The literature shows that workforce diversity enables organizations to access a broader cognitive spectrum, thereby increasing adaptive capacity and problem-solving capabilities in dynamic environments (Fassinger, 2008; Fay et al., 2014; Unachukwu et al., 2023). However, this strategic value is not automatically realized. The OECD (2021) reports that over 40% of diverse work teams experience collaboration barriers due to social fragmentation and a lack of integration mechanisms. This confirms that diversity without inclusion has the potential to result in team dysfunction rather than innovation.

Theoretically, the relationship between diversity and innovation is rooted in an interactionist perspective that views creativity as the result of interactions between individuals, social processes, and organizational contexts. Within this framework, cognitive diversity—which encompasses differences in knowledge, thinking styles, and problem-solving approaches—is viewed as a key determinant in generating novel and valuable ideas (Woodman et al., 1993; Goyal & Akhilesh, 2007; Burns et al., 2015). Empirical evidence indicates that teams with high levels of cognitive diversity have more complex and diverse information processing capacities, thus generating superior innovative solutions (Driver, 2003; Sears & Baba, 2011). However, this effectiveness is highly dependent on the existence of social integration mechanisms such as effective communication, shared mental models, and team reflexivity that enable the conversion of diverse ideas into implementable innovations (Fay et al., 2014; Goyal & Akhilesh, 2007).

However, the literature also identifies a fundamental problem: a decoupling between organizational-level DEI policies and the psychological realities experienced by individuals within teams. A Deloitte report (2021) shows that although more than 80% of global organizations have formal DEI initiatives, less than half are able to create a real sense of inclusion at the employee level. This gap is often driven by psychological factors such as implicit bias, social exclusion, and the rigidity of organizational routines that inhibit individuals' active participation in the creative process (Anderson, 2023; Loewenberger, 2013; Xin et al., 2025). As a result, the innovative potential of diversity is not optimally realized, even in environments that formally support DEI.

To address these issues, an ecosystem-based approach is crucial for managing diversity as a source of innovation. Organizations need to design systems that enable the effective exchange of ideas across functions, disciplines, and cultures. Studies show that interdisciplinary collaboration supported by inclusive leadership and adaptive HRM practices plays a significant role in improving team innovation performance (Acar et al., 2023; Gotsis & Grimani, 2016; Sears & Baba, 2011). In this regard, leadership plays a strategic role in creating a safe psychological climate, encouraging voice behavior, and ensuring that diverse cognitive contributions are integrated into organizational processes (Driver, 2003; Zhan et al., 2015).

Furthermore, organizational climate and culture serve as key moderators in the relationship between diversity and innovation. A climate that supports experimentation, learning, and open expression has been shown to reduce the negative impacts of cognitive differences, such as conflict and polarization, and increase innovative work behavior (IWB) (Bogilović et al., 2020; Zhan et al., 2015). Conversely, hierarchical and rigid organizational structures tend to reinforce social fragmentation and hinder the integration of ideas, thereby reducing the effectiveness of diversity in driving innovation.

Empirical findings indicate that diversity is an ambivalent phenomenon, or a double-edged sword. On the one hand, diversity can enhance creativity and innovation if supported by a conducive organizational context. On the other hand, without adequate integration mechanisms, diversity can trigger cognitive conflict, increase coordination complexity, and reduce the quality of innovation output (Goyal & Akhilesh, 2007; Zhan et al., 2015). Therefore, a multilevel approach is important to understand these dynamics, considering the interaction between individual factors (cognition and affect), team processes (reflexivity and knowledge sharing), and organizational design (HRM practices and leadership styles) (Sears & Baba, 2011; Fay et al., 2014).

The practical implications of this framework emphasize the importance of aligning DEI policies and practices. Organizations need to operationalize policies through interventions that directly target implicit bias, increase social inclusion, and create equal participation in decision-making processes (Anderson, 2023; Fassinger, 2008). Furthermore, measuring DEI success should extend beyond representational indicators to evaluate psychological dimensions such as sense of belonging, perceived inclusion, and cognitive safety, and link them directly to innovation outcomes (Loewenberger, 2013).

Overall, the literature synthesis indicates that in a VUCA environment, DEI has significant strategic value as a driver of sustainable innovation. However, realizing this value depends heavily on an organization's ability to address decoupling issues and design an ecosystem that effectively supports diversity integration. Inclusive leadership, a conducive organizational climate, and adaptive HRM practices are key determinants in optimizing diversity's contribution to innovation performance (Bogilović et al., 2020; Sears & Baba, 2011; Zhan et al., 2015).

The current literature's problem statement emphasizes that symbolic DEI policies, without internalization at the psychological level of employees, tend to be mere organizational cosmetic measures. Consequently, the transformation mechanism from DEI to innovative work behavior (IWB) remains a black box that has yet to be comprehensively explained.

Based on this gap, this article offers a novel approach by integrating the DEI perspective into the Positive Organizational Scholarship (POS) framework, specifically through the concept of Psychological Capital (PsyCap). The main focus of this research is to explain the mechanisms by which inclusive and equitable DEI practices can build the Hope, Efficacy, Resilience, and Optimism (HERO) dimensions as psychological resources that encourage individuals to engage in high-risk innovative activities.

Theoretically, this study extends Social Exchange Theory (SET) by positioning DEI as a signal of organizational investment that triggers reciprocity in the form of increased engagement and voluntary innovative behavior. Furthermore, through the perspective of Self-Determination Theory (SDT), DEI practices are understood as a mechanism for fulfilling the basic needs of relatedness and autonomy, which foster intrinsic motivation to contribute beyond formal roles. Thus, this study not only enriches the strategic HRM literature but also provides an evidence-based conceptual framework for optimizing team performance through the integration of DEI and PsyCap in the context of modern organizations.

2. METHODS

This article uses a narrative review approach (narrative review) to synthesize multidisciplinary literature linking human resource management, organizational psychology, and innovative behavior. The literature search strategy was conducted systematically through highly reputable bibliographic databases, namely Scopus and Web of Science (WoS), to ensure the quality and academic validity of the cited sources. The search focus was limited to journal articles published within the last ten years (2016–2026), a period considered crucial because it encompasses the transformative evolution of post-pandemic DEI policies and the paradigm shift toward psychological well-being in the workplace. The keywords used in the search

involved Boolean combinations such as"Diversity, Equity, and Inclusion", "Psychological Capital", "Innovative Work Behavior", and "HRM Practices".

The literature selection process was conducted using strict inclusion criteria, where selected articles had to make significant theoretical and empirical contributions to the psychological mechanisms within diverse teams. These articles were then critically reviewed to explore the link between organizational-level DEI practices and individual-level behavioral responses. Literature that only addressed demographic diversity without addressing inclusion or psychological capital was excluded to maintain a focus on the in-depth transformation mechanisms that served as the primary research question. Furthermore, the selected articles covered a variety of industry contexts to ensure that the resulting synthesis had broad generalizability yet remained contextually rigorous.

The literature synthesis was categorized based on the integrated levels of analysis, namely the individual level and the team level. At the individual level, the analysis focused on how perceptions of fairness and inclusion influence the internal dimensions of psychological capital (hope, efficacy, resilience, optimismMeanwhile, at the team level, this review categorizes the literature based on the collaborative dynamics and innovation climate that emerge from interactions among heterogeneous team members. Using thematic integration techniques, this article maps theoretical propositions that connect both levels, thereby presenting a coherent conceptual framework on how the DEI ecosystem systematically facilitates innovative work behavior by strengthening employee mental capacity.

3. RESULTS

3.1. The Evolution of DEI in HR Management: From Mere Legal Compliance to Strategic Competitive Advantage

The literature synthesis indicates a fundamental transformation in the Diversity, Equity, and Inclusion (DEI) paradigm, moving from a reactive, compliance-based approach to a proactive and strategic orientation within the framework of human resource management (HRM). Historically, DEI initially developed in response to external pressures, such as regulations and demands for social legitimacy. However, recent developments indicate that DEI is increasingly integrated into organizations' value propositions and overall business strategies (Rubaca, 2023; Ucha et al., 2024; Akpusugh, 2024; Liu & Pearson, 2014; Umeh et al., 2022). This shift requires the active involvement of top management and the design of an organizational architecture that allows DEI to be internalized as part of the strategic system, not simply as an administrative policy (Rubaca, 2023; Akpusugh, 2024; Steffensen et al., 2019). However, several studies have identified implementation challenges, particularly related to the gap between formal policies and actual practices, indicating the risk of symbolic adoption without substantive impact (Rubaca, 2023; Umeh et al., 2022). This confirms that the transformation towards strategic DEI requires accountability mechanisms and concrete HR practices.

Furthermore, the literature indicates a shift in focus from surface-level diversity to deep-level diversity as a primary source of organizational value creation. Diversity is no longer understood solely as visible demographic differences, but as variations in values, knowledge, and cognitive perspectives that expand an organization's capacity for learning and problem-solving (Dutta & Srinivasan, 2024; Rubaca, 2023; Akpusugh, 2024; Umeh et al., 2022). From this perspective, the concept of cognitive amplitude becomes relevant because it reflects the broad spectrum of thinking that organizations can utilize to address environmental complexity. The Resource-Based View (RBV) approach reinforces this argument by positioning inclusively managed diversity as a valuable, rare, difficult-to-imitate resource that is integrated into organizational processes (Dutta & Srinivasan, 2024; Rubaca, 2023; Akpusugh, 2024). However, the effectiveness of cognitive diversity is highly dependent on the existence of

inclusion mechanisms capable of managing potential conflict and fragmentation in heterogeneous groups (Rubaca, 2023; Umeh et al., 2022).

Within a broader theoretical framework, RBV and strategic HRM provide a conceptual foundation that explains how DEI can serve as a source of competitive advantage. RBV emphasizes that the strategic value of DEI lies in its ability to create a unique combination of resources through the integration of an inclusive culture, adaptive work processes, and cross-cultural capabilities (Dutta & Srinivasan, 2024; Rubaca, 2023; Akpusugh, 2024). Meanwhile, strategic HRM plays a role in aligning HRM practices—such as talent management, organizational learning, and work design—with the organization's strategic objectives, so that DEI becomes not only a symbol of value but also an operational mechanism that generates superior performance (Rachwal-Mueller, 2024; Rubaca, 2023; Ruël & Njoku, 2020; Boudreau et al., n.d.; Liu & Pearson, 2014; Steffensen et al., 2019). However, the literature also confirms that without broad managerial commitment and consistent systemic design, the RBV's claim of DEI as a source of competitive advantage will be weakened, especially in the context of the gap between policy and implementation (Rubaca, 2023; Umeh et al., 2022).

The equity and inclusion dimensions subsequently emerged as key elements linking diversity to strategic value creation. The literature consistently demonstrates that demographic diversity does not automatically generate competitive advantage without an HRM system that ensures equal access and meaningful participation in organizational processes (Rubaca, 2023; Akpusugh, 2024; Umeh et al., 2022). In this context, inclusion is understood as a processual, governance-based organizational capability that requires line manager support, transparency in implementation, and clear accountability mechanisms (Rubaca, 2023; Umeh et al., 2022; Steffensen et al., 2019). This perspective also aligns with the sustainable HRM approach, which emphasizes the integration of stakeholder interests and the sustainability of organizational performance in the long term (Podgorodnichenko et al., 2020). However, the implementation of equity and inclusion is not universal, but requires contextual adaptation according to the characteristics of each social, cultural, and institutional environment (Umeh et al., 2022).

In terms of practical implications, literature findings confirm that a mature DEI ecosystem contributes significantly to increased organizational resilience, adaptability to disruption, and performance in the knowledge economy. Organizations with integrated DEI practices tend to have broader access to global talent, the ability to understand diverse markets, and the flexibility to respond to environmental changes (Dutta & Srinivasan, 2024; RACHWAL-MUELLER, 2024; Rubaca, 2023; Ruël & Njoku, 2020; Akpusugh, 2024; Boudreau et al., n.d.). Integrating DEI into organizational strategy also strengthens the capacity for inclusive and collaborative decision-making, which is crucial in the context of global and digital work (RACHWAL-MUELLER, 2024; Ruël & Njoku, 2020; Boudreau et al., n.d.; Halim et al., 2024; Sweeting, 2023). Furthermore, technological developments such as HR analytics, e-HRM, and artificial intelligence are further strengthening the relationship between DEI and performance through data-driven approaches to talent decision-making (Ravi, 2023; Wang et al., 2025; Halim et al., 2024; Manessi, n.d.). However, the use of these technologies also raises new challenges related to algorithmic bias, transparency, and privacy protection, which must be carefully managed to avoid compromising the principle of fairness (Wang et al., 2025; Halim et al., 2024; Manessi, n.d.).

Finally, the integration of DEI with related domains such as cross-cultural management, international teams, and global talent management further emphasizes DEI's strategic role in the context of globalization. The literature indicates that cross-cultural competence and the alignment of HRM practices with global business strategies are key factors in maximizing the benefits of diversity in multinational organizations (RACHWAL-MUELLER, 2024; Oladayo et al., 2023; Ruël & Njoku, 2020; Boudreau et al., n.d.). Furthermore, international HRM practices demand a balance between global standardization and local adaptation to ensure the effectiveness of DEI implementation across diverse geographic contexts (Horwitz, 2017;

Govender, 2021; Liu & Pearson, 2014; Umeh et al., 2022). A global talent management approach also demonstrates that DEI practices can be a source of strategic differentiation through integrated cross-cultural talent management (Boudreau et al., n.d.; Liu & Pearson, 2014; Steffensen et al., 2019). However, contextual sensitivity remains a key prerequisite, as variations in cultural norms and regulations can impact the effectiveness of DEI policies if not appropriately tailored (Umeh et al., 2022; Manessi, n.d.).

3.2. DEI as an Antecedent of Psychological Capital (PsyCap)

The results and discussion in this synthesis reconceptualize Diversity, Equity, and Inclusion (DEI) not as a mere structural policy, but as a psychological intervention that actively shapes employees' Psychological Capital (PsyCap). This perspective positions DEI as a mechanism that influences individuals' psychological dimensions through perceptions of organizational inclusion and justice, which in turn strengthens the HERO (Hope, Efficacy, Resilience, and Optimism) components (Ullah & Siddique, 2024; Turgut & Ulukaya, 2016; Somech & Khotaba, 2017; Lupșa et al., 2019; Patnaik et al., 2023). Within this framework, DEI is understood as a dynamic system that conditions individuals' work experiences, rather than simply an administrative instrument.

Specifically, the literature shows that perceptions of organizational inclusion and justice—including procedural, distributive, and interactional justice—play a key role in the development of PsyCap. Self-efficacy and hope dimensions emerge as the most responsive components to these perceptions, with individuals who feel treated fairly and included in organizational processes tending to have higher levels of confidence in achieving goals and a clearer ability to design paths to achieve them (Ullah & Siddique, 2024; Turgut & Ulukaya, 2016; Somech & Khotaba, 2017). Furthermore, at the team level, a strong justice climate has been shown to enhance collective PsyCap, which in turn strengthens individual PsyCap through social contagion and shared norms (Somech & Khotaba, 2017; Gojny-Zbierowska, 2024).

Furthermore, the dimensions of resilience and optimism develop through different mechanisms, namely through the reduction of social exclusion and bias in the work environment. An inclusive environment serves as a psychological support system that allows individuals to interpret mistakes as part of the learning process and build positive expectations for the organization's future (Ullah & Siddique, 2024; Turgut & Ulukaya, 2016; Somech & Khotaba, 2017). Empirical evidence shows that the combination of organizational justice and PsyCap contributes to increased work engagement, psychological health, and employee well-being, indicating a mutually reinforcing mechanism of psychological resources (Lupșa et al., 2019). These findings are consistent with the broaden-and-build framework, which explains that positive experiences in organizations expand individuals' psychological capacities and strengthen their internal resources (Srivastava & Maurya, 2017; Gojny-Zbierowska, 2024; Ho et al., 2025).

In the context of HRM, PsyCap is no longer viewed as a static individual characteristic, but rather as a dynamic outcome resulting from an inclusive HRM ecosystem. Longitudinal and cross-sectional studies have shown that perceptions of organizational justice are significantly related to the level and development of PsyCap, both directly and through mediating and moderating mechanisms (Ullah & Siddique, 2024; Patnaik et al., 2023; Srivastava & Maurya, 2017; Majid et al., 2024). This perspective shifts the traditional approach that positions PsyCap as an individual attribute to a construct that can be developed through systematic organizational interventions.

Among the dimensions of organizational justice, procedural justice emerges as the most consistent mechanism influencing PsyCap. Perceptions of fair decision-making processes signal organizational legitimacy and predictability, which in turn strengthens self-efficacy and hope on an ongoing basis (Ullah & Siddique, 2024; Turgut & Ulukaya, 2016). At the team level, a climate of procedural justice has also been shown to enhance collective PsyCap and team

innovation through increased organizational citizenship behavior (OCB) and team process dynamics (Somech & Khotaba, 2017). Thus, procedural justice serves as a key channel connecting DEI practices to psychological resource development.

Cross-level analysis shows that the relationship between DEI, organizational justice, and PsyCap occurs not only at the individual level but also involves team and organizational dynamics. Team justice climate and extra-role behaviors such as OCB act as mediators that transmit the influence of contextual justice on PsyCap, which in turn impacts creativity and innovation (Somech & Khotaba, 2017; Patnaik et al., 2023). This confirms that DEI and organizational justice must be understood as systemic resources that operate through social exchange mechanisms and collective norms.

However, the literature also identifies boundary conditions that moderate the relationship between DEI, organizational justice, and PsyCap. Studies show that this relationship is not always linear, with very high levels of organizational justice producing diminishing returns on the relationship between perceived organizational support (POS) and PsyCap (Patnaik et al., 2023). Furthermore, contextual factors such as leadership style, level of organizational support, and work stress can strengthen or weaken the protective role of PsyCap (Seo & Chung, 2019). This variation suggests that the effectiveness of DEI interventions in building PsyCap depends heavily on the configuration of the organizational context.

The practical implications of these findings confirm that integrating DEI into HRM practices is a strategic pathway to building HERO-based PsyCap, which in turn contributes to improved employee performance, engagement, and creativity. Numerous studies have shown a positive relationship between PsyCap and organizational outcomes such as performance, engagement, and reduced burnout, strengthening the argument that DEI functions as a performance enabler through psychological pathways (Flinkman et al., 2023; Gidage, 2025; Sihag, 2020; Sun, 2025). Therefore, implementing inclusive policies, transparent procedures, and developing equity-based leadership are crucial operational mechanisms for optimizing PsyCap.

Despite the consistency in the findings, several important nuances are worth noting. First, not all dimensions of organizational justice have an equal influence on PsyCap, with procedural justice often being more dominant than others, although distributive and interactional justice remain relevant in certain contexts (Ullah & Siddique, 2024; Turgut & Ulukaya, 2016; Somech & Khotaba, 2017). Second, the interaction between individual justice perceptions and team justice climate suggests that interventions must be designed at multiple levels for optimal effectiveness (Somech & Khotaba, 2017; Srivastava & Maurya, 2017). Third, the indications of non-linear effects in the relationship between justice and PsyCap imply the need for a more contextual and adaptive approach to DEI implementation (Patnaik et al., 2023).

3.3. Transformation Mechanism to IWB

The results and discussion indicate that inclusion in an organization serves as a fundamental mechanism that creates deep psychological safety, a key prerequisite for the emergence of innovative work behavior (IWB). An inclusive climate enables individuals to feel a strong sense of belonging and reduces the fear of negative social consequences when expressing unconventional ideas. In this context, psychological safety acts as a key mediator linking inclusive practices to innovative behavior. Several empirical studies have shown that inclusive leadership has a positive relationship with IWB through psychological safety as a mediating variable, confirming that psychological safety is a key channel for encouraging idea exploration and repeated experimentation (Panicker et al., 2018; Arain et al., 2019; Khan & Usman, 2025). Furthermore, an inclusive climate has also been shown to increase voice behavior by fulfilling basic psychological needs, further strengthening the role of psychological safety as a foundation for innovative behavior (Paolillo et al., 2021). However, several studies

have shown that the mediating power of psychological safety can vary depending on the sectoral and cultural context, and can be influenced by other variables such as empowerment and self-efficacy (Lu et al., 2025; Joshy & Varghese, 2024).

Furthermore, inclusion serves as a social mechanism that reduces barriers between individuals and groups, thereby facilitating the flow of information across functions and demographics. Within this framework, inclusion acts as a "social lubricant" that enables the combination of diverse ideas, which is the essence of IWB. The literature shows that a climate of innovation and inclusion can mitigate the negative impact of diversity on IWB by increasing knowledge sharing and creative risk-taking (Bogilović et al., 2020). Furthermore, a supportive organizational climate, including person-organization fit and organizational citizenship behavior (OCB), contributes to increased cross-border collaboration and idea generation (Wojtczuk-Turek & Turek, 2016; Panicker et al., 2018). Evidence from various contexts also confirms that collaborative behaviors such as OCB and the quality of work relationships (LMX) play a crucial role in strengthening team learning and IWB (Atatsi et al., 2019). However, the effectiveness of this mechanism is greatly influenced by the type of diversity and the type of organizational climate, where different climates can significantly moderate the relationship between diversity and IWB (Bogilović et al., 2020).

The dimensions of equity and organizational justice have also been shown to strengthen individuals' intrinsic motivation and cognitive engagement in innovative activities. Perceptions of procedural and distributive justice increase employees' willingness to engage in extra-role behaviors, including IWB, beyond the formal demands of the job. The literature suggests that the relationship between OCB, learning, and IWB can be explained through an organizational justice framework that supports innovation-based discretionary behavior (Atatsi et al., 2019). Furthermore, the fulfillment of basic psychological needs in an inclusive climate strengthens intrinsic motivation, which is a key driver of engagement in innovative activities (Paolillo et al., 2021). However, several studies have shown that this mediation pathway is not always consistent, with variations influenced by specific contextual factors (Rogozińska-Pawełczyk & Sudolska, 2024; Guo et al., 2022).

From a social exchange theory perspective, inclusion triggers a reciprocal mechanism where individuals who feel valued and recognized are more likely to demonstrate extra-role contributions through OCB that support innovation. Inclusive leadership has been shown to increase work engagement and organizational identification, which in turn mediate the relationship with pro-innovative behaviors such as green OCB (Abdou et al., 2023). Furthermore, the relationship between inclusion and voice behavior is also mediated by OCB, suggesting that extra-role behavior is a key pathway in transforming perceptions of inclusion into innovative actions (Paolillo et al., 2021; Panicker et al., 2018). Evidence across studies suggests that OCB contributes to problem-solving and the development of innovative solutions in organizations (Rogozińska-Pawełczyk & Sudolska, 2024; Corzo-Morales & Contreras-Pacheco, 2024). However, variations in context such as industry type or innovation focus (e.g., green innovation) can influence the form and effectiveness of OCB as a mediator (Abdou et al., 2023).

The interaction between cognitive diversity and organizational climate is a determining factor in the effectiveness of IWB. The literature shows that cognitive diversity can have both positive and negative impacts depending on the accompanying climate. Without an inclusive climate, diversity can trigger fragmentation and conflict, thus hindering innovation. Conversely, a climate that combines innovative/entrepreneurial characteristics with team/clan characteristics can create a balance between idea exploration and psychological safety, thus maximizing the potential of IWB (Bogilović et al., 2020; Yıkılmaz, 2023). These findings emphasize that relying on a single type of organizational climate is not sufficient; instead, complementary climate configurations are needed to optimize diversity's contribution to innovation.

The practical implications of these findings emphasize the importance of developing organizational ecosystems that simultaneously support inclusion and innovation. Organizations need to build an authentically inclusive climate, accompanied by structural mechanisms that strengthen psychological safety, such as tolerance for failure and explicit training related to psychological safety (Bhatnagar & Aggarwal, 2022; Wojtczuk-Turek & Turek, 2016; Paolillo et al., 2021; Khan & Usman, 2025). Furthermore, developing inclusive leadership that emphasizes transparency, fairness, and quality work relationships is key to increasing engagement, OCB, and IWB (Yıkılmaz, 2023; Rogozińska-Pawełczyk & Sudolska, 2024; Joshy & Varghese, 2024; Gotsis & Grimani, 2016). Organizations also need to design a team climate that supports risk-taking while maintaining psychological safety, as well as ensuring fairness in idea evaluation and resource allocation to strengthen employees' intrinsic motivation (Bogilović et al., 2020; Paolillo et al., 2021; Bhatnagar & Aggarwal, 2022).

Theoretically, this synthesis integrates several key frameworks explaining the relationship between inclusion and IWB. Social exchange theory explains how perceptions of fair treatment and organizational support drive innovative behavior as a form of reciprocity (Abdou et al., 2023; Rogozińska-Pawełczyk & Sudolska, 2024; Corzo-Morales & Contreras-Pacheco, 2024; Gotsis & Grimani, 2016). Psychological safety serves as a key mechanism enabling risk-taking and learning from experimentation (Bhatnagar & Aggarwal, 2022; Abdou et al., 2023; Khan & Usman, 2025). Meanwhile, OCB acts as an operational mechanism that transforms inclusion into innovative actions (Paolillo et al., 2021; Panicker et al., 2018). Organizational climate theory explains the conditions under which diversity and inclusion can generate IWB, while the psychological needs perspective explains the motivational pathways linking inclusion to engagement and innovation (Bogilović et al., 2020; Yıkılmaz, 2023; Paolillo et al., 2021).

However, there are several limitations that need to be considered. First, although psychological safety often emerges as a primary mediator, other variables such as job crafting, psychological empowerment, and perceived organizational support may also play a significant role in certain contexts (Guo et al., 2022; Joshy & Varghese, 2024). Second, variations across industries and cultures suggest the need for further validation to ensure the generalizability of the findings (Bogilović et al., 2020; Faddoul, n.d.). Third, the interaction between various dimensions of diversity and organizational climate type still requires further empirical exploration. Fourth, the role of relational factors such as trust and psychological contract in moderating the relationship between inclusion and IWB remains incompletely elucidated and requires further research (Rogozińska-Pawełczyk & Sudolska, 2024; Singh et al., 2025).

3.4.Conceptual Model Integration

The results and discussion in this synthesis construct a linear-circular causal framework that positions Diversity, Equity, and Inclusion (DEI) as the primary driver in the human resource management (HRM) ecosystem, which shapes employees' internal psychological resources—Psychological Capital (PsyCap: Hope, Efficacy, Resilience, Optimism/HERO)—and ultimately drives Innovative Work Behavior (IWB) through a series of mediating and moderating mechanisms. This framework emphasizes that the relationship between DEI, PsyCap, and IWB is not a simple linear one, but rather develops into a continuous reinforcing cycle driven by psychological and organizational dynamics.

The first proposition posits DEI as a proximal cause of PsyCap accumulation and the emergence of IWB through the HERO dimension. An inclusive and procedurally just HRM environment provides internal psychological resources that strengthen employees' optimism, hope, self-efficacy, and resilience. This PsyCap accumulation creates a mental readiness to engage in high-risk creative activities, a key characteristic of IWB. Several empirical studies have shown that PsyCap acts as a key mediator in the relationship between organizational factors (such as leadership and work climate) and IWB, indicating that internal psychological

resources serve as a mechanism for converting environmental stimuli into innovative behavior (Jha, 2021; Blasco-Giner et al., 2023; Gashema & Kadhafi, 2020; Flinkman et al., 2023). Furthermore, the HERO dimension is consistently associated with increased risk-taking, the ability to learn from failure, and engagement in exploring new ideas (Blasco-Giner, n.d.; Blasco-Giner et al., 2023; Nwanzu & Babalola, 2019; Yıkılmaz, 2023). A climate of inclusion and procedural justice has also been shown to strengthen motivational conditions and expand psychological resources, aligning with the broaden-and-build perspective that emphasizes expanding individual capacity to address the complexity of innovative tasks (Loghman et al., 2022; Tjimuku & Atiku, 2024). However, the literature indicates that PsyCap consistently acts as a mediator rather than a direct predictor of IWB, and is often treated as an aggregate construct without separating the contributions of each HERO dimension (Blasco-Giner, n.d.; Jha, 2021; Nwanzu & Babalola, 2019; Flinkman et al., 2023).

The second proposition emphasizes the importance of alignment between DEI policies at the macro-level of the organization and inclusive leadership at the meso-level (team) in optimizing the transformation of PsyCap into IWB. This alignment creates a coherent and psychologically safe environment, thereby strengthening PsyCap's ability to drive innovative behavior. The literature shows that leadership styles such as transformational, authentic, and inclusive leadership have a significant influence on increasing PsyCap and IWB, with PsyCap and work engagement acting as mediators and moderators in this relationship (Alwali, 2024; Singh et al., 2023; Ullah et al., 2023; Brunetto et al., 2023; Gashema & Kadhafi, 2020; Yıkılmaz, 2023). Psychological safety has re-emerged as a key mechanism bridging PsyCap and IWB, enabling individuals to take risks in experimentation and learn from failure (Blasco-Giner et al., 2023; Wang et al., 2021; Milner & Criticos, 2023). Furthermore, the interaction between organizational climate and team leadership suggests that a misalignment between DEI policies and leadership practices can weaken the PsyCap–IWB pathway, while alignment strengthens the effect (Ullah et al., 2023; Yıkılmaz, 2023; Sürücü et al., 2023). However, the strength of this relationship may vary depending on the industry context, culture, and job characteristics, and there is evidence that PsyCap only partially mediates the DEI–IWB relationship in the presence of additional mediators such as engagement and motivation (Jha, 2021; Gashema & Kadhafi, 2020; Flinkman et al., 2023).

The final proposition posits a self-reinforcing, continuous cycle of DEI–PsyCap–IWB. Organizations that consistently implement DEI practices will experience increased PsyCap, which then drives IWB, and in turn strengthens a positive psychological climate and innovative orientation within the organization. This cycle aligns with the positive organizational behavior literature, which emphasizes the reinforcing loop between positive psychological states and innovative performance. High PsyCap increases engagement, creativity, and innovation output, which in turn strengthens perceptions of inclusion and collective optimism within the organization (Blasco-Giner, n.d.; Blasco-Giner et al., 2023; Yıkılmaz, 2023; Loghman et al., 2022; Milner & Criticos, 2023). Furthermore, PsyCap has been shown to be a construct that can be developed through structured interventions, enabling the long-term sustainability of this cycle (Nwanzu & Babalola, 2019; Loghman et al., 2022). However, empirical validation of this cyclical model is still limited, considering that most studies use cross-sectional designs that are unable to capture reciprocal causal relationships longitudinally (Blasco-Giner, n.d.; Blasco-Giner et al., 2023; Gashema & Kadhafi, 2020; Milner & Criticos, 2023).

Overall, the literature synthesis confirms that PsyCap is a key mediator in the relationship between DEI and IWB, with psychological safety as an operational mechanism that enables the exploration of ideas and learning from failure. Furthermore, the alignment between organizational policies and leadership practices is a critical factor in determining the effectiveness of such transformation. The integration of DEI, PsyCap, and IWB within a dynamic causal framework provides a theoretical contribution to the development of a psychologically

based HRM model oriented towards sustainable innovation (Blasco-Giner et al., 2023; Ullah et al., 2023; Jha, 2021; Loghman et al., 2022; Milner & Criticos, 2023).

Implications for further research point to the need for comprehensive empirical testing of the DEI–PsyCap–IWB model using a structural equation modeling approach to identify direct, indirect, and moderating relationships. Furthermore, longitudinal research is needed to test the validity of cyclical relationships and the long-term effects of DEI interventions and PsyCap development. Cross-cultural and cross-industry validation is also crucial to understand contextual variations in the relationships between variables and strengthen the generalizability of the proposed model.

4. DISCUSSIONS

4.1. Theoretical Interpretation: Why "Diversity" Alone Is Not Enough Without "Equity" and "Inclusion" to Spark Innovation

Theoretically, diversity is often viewed as a double-edged sword. Although cognitive diversity, such as differences in knowledge, perspectives, and thinking styles, is considered a critical determinant in generating innovative ideas, diversity alone does not automatically create competitive advantage. Without mechanisms of inclusion and equity, diversity may instead trigger cognitive conflict, social fragmentation, and increased coordination complexity, ultimately reducing the quality of innovation outcomes.

Innovation requires psychological safety that enables individuals to take intellectual risks and express ideas without fear of negative consequences. In this context, equity, particularly procedural justice, functions as a source of organizational legitimacy that strengthens employees' self-efficacy and hope. Meanwhile, inclusion acts as a "social lubricant" that facilitates cross-functional information exchange and ensures that diverse cognitive contributions can be effectively integrated into practical and innovative solutions.

4.2. Strategic HRM Implementation: The Role of the HR Department in Designing Interventions that Strengthen Psychological Capital Through DEI Policies

The HR department plays a strategic role in transforming Diversity, Equity, and Inclusion (DEI) from merely an "organizational cosmetic" or administrative compliance mechanism into a mature strategic capability that contributes to long-term organizational sustainability and innovation. In this context, HR is responsible for designing inclusive organizational ecosystems that facilitate the effective exchange of ideas across disciplines, backgrounds, and cultures through adaptive and human-centered HR practices. Beyond structural policies, HR must also operationalize DEI initiatives as psychological interventions that actively strengthen employees' Psychological Capital (PsyCap), particularly the dimensions of hope, efficacy, resilience, and optimism (HERO).

Furthermore, HR has a critical responsibility in developing inclusive leadership capable of creating a psychologically safe climate where employees feel secure in expressing ideas, engaging in voice behavior, and participating equally in organizational decision-making processes. At the organizational level, HR must also ensure multilevel coordination by integrating formal DEI policies with the psychological realities experienced by employees in everyday work practices. This integration is essential to prevent decoupling, namely the gap between formal organizational commitments to DEI and the actual implementation of inclusive values within the workplace.

4.3. Future Research Agenda: Identifying Unexplored Areas

Future research needs to explore several critical domains to deepen understanding of the relationship between Diversity, Equity, and Inclusion (DEI) and the organizational innovation ecosystem. First, greater attention is required toward examining DEI within the context of artificial intelligence and algorithm-based management systems. The increasing use

of technologies such as HR analytics and artificial intelligence in organizational decision-making creates new challenges related to algorithmic bias, transparency, and fairness, which may potentially undermine the core principles of equity and inclusion within the workplace.

Second, longitudinal studies are necessary to examine the long-term validity of the cyclical relationship between DEI interventions, Psychological Capital (PsyCap) development, and the sustainability of innovative work behavior (IWB). Existing studies are still largely cross-sectional, limiting understanding of how DEI initiatives shape psychological resources and innovation outcomes over time. Third, cross-cultural analysis is needed to validate the DEI–PsyCap–IWB model across different industrial sectors and geographical contexts. Variations in cultural norms, organizational values, and institutional environments may significantly influence the effectiveness of DEI policies and their impact on employee innovation.

Finally, future studies should also explore additional mediating mechanisms beyond Psychological Capital in explaining the relationship between DEI and innovation outcomes. Variables such as employee engagement, intrinsic motivation, organizational commitment, and psychological safety may provide a more comprehensive explanation of how DEI practices foster sustainable innovative behavior within organizations.

5. CONCLUSION

This review consolidates evidence that in a VUCA context, diversity does not inherently generate innovation, but rather requires systemic orchestration through Diversity, Equity, and Inclusion (DEI) practices integrated within a human resource management (HRM) framework. Conceptually, DEI transforms from a compliance instrument into a strategic capability that facilitates organizational adaptability and value creation through the optimization of heterogeneous cognitive resources. The synthesis shows that the strategic value of DEI is mediated by psychological mechanisms, particularly through the formation of Psychological Capital (PsyCap) consisting of Hope, Efficacy, Resilience, and Optimism (HERO), which functions as an internal resource in dealing with uncertainty and complexity.

Furthermore, the relationship between DEI and Innovative Work Behavior (IWB) is not direct, but rather mediated by psychological safety as an enabling condition that allows for the exploration of ideas, risk-taking, and learning from failure. In this regard, organizational justice especially procedural justice emerges as a key channel that consistently strengthens the dimensions of self-efficacy and hope, thereby increasing individuals' readiness to engage in innovative activities. Thus, the main contribution of this review lies in the integration of a strategic HRM perspective with a psychological approach, which positions DEI as a dynamic system that links organizational design to innovative behavior through internal employee mechanisms.

From a practical perspective, these findings underscore the importance of aligning formal DEI policies with operational practices at the team level to avoid the decoupling phenomenon that can reduce the effectiveness of interventions. Inclusive leadership development is a key determinant in creating a psychologically safe climate, encouraging active participation, and integrating cognitive diversity into decision-making processes. Furthermore, the evaluation of DEI effectiveness needs to shift from structural indicators to psychological metrics that reflect employees' subjective experiences, such as sense of belonging, perceptions of inclusion, and resilience. In the context of digital transformation, the use of HR technologies such as HR analytics should be directed towards increasing decision objectivity, while still addressing issues of algorithmic bias and ethical data use.

Despite providing a comprehensive conceptual framework, this review has methodological and contextual limitations. As a narrative review, this synthesis has not been supported by empirical testing based on quantitative models such as structural equation modeling (SEM) to examine simultaneous causal relationships. Furthermore, the effectiveness

of DEI mechanisms is highly dependent on boundary conditions including organizational culture, industry characteristics, and leadership dynamics, so generalization of the findings requires caution. Furthermore, the rapid development of digital technology and artificial intelligence is opening up new research opportunities related to the integration of DEI in technology-based work ecosystems, which to date remains limited in the literature.

Overall, these findings strengthen the argument that DEI, when implemented strategically and supported by appropriate psychological mechanisms, serves as a key enabler of sustainable innovation. An approach that integrates structural and psychological dimensions is a prerequisite for optimizing diversity's contribution to organizational performance in an increasingly complex era.

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