

Workplace Diversity and Inclusion Practices: Effects on Team Creativity and Organizational Performance

Rovanita Rama¹, Ramdan Yusuf², Ade Onny Siagian³

Universitas Riau¹, Universitas Madako Tolitoli², Universitas Bina Sarana Informatika³

rovanita.rama@lecturer.unri.ac.id¹, ramdanyusuf792@gmail.com², ade.aoy@bsi.ac.id³

ABSTRACT

This study examines the relationship between workplace diversity practices, inclusion, team creativity, and organizational performance in modern organizational settings. Drawing on theories of Information–Decision Making, Social Categorization, and the Resource-Based View, the research explores how diversity contributes to creativity and performance, and how inclusion moderates these effects. Using a quantitative research approach, data were collected from 312 employees working across multiple industries using structured online questionnaires with validated measures. Results analyzed through Partial Least Squares Structural Equation Modeling (PLS-SEM) reveal that workplace diversity has a positive and significant influence on inclusion and team creativity. Inclusion also strongly predicts both team creativity and organizational performance, while team creativity significantly contributes to organizational performance. Furthermore, inclusion partially mediates the relationship between diversity and both creativity and performance, demonstrating its essential role in unlocking the strategic benefits of diversity. These findings highlight that diversity initiatives yield positive outcomes only when embedded within inclusive organizational cultures. The study contributes to ongoing discussions on human capital management and offers practical implications for leaders seeking to improve innovation and long-term competitive advantage through inclusive diversity strategies.

Keywords:

Workplace Diversity,
Inclusion, Team
Creativity,
Organizational
Performance

INTRODUCTION

Workplace dynamics in the 21st century have undergone profound transformation driven by globalization, demographic shifts, and the evolution of organizational values. Organizations are no longer operating in homogeneous environments; instead, they increasingly employ individuals from diverse cultural backgrounds, genders, age groups, abilities, and belief systems (Cox & Blake, 1991). With this shift, diversity and inclusion (D&I) have emerged as critical pillars in shaping organizational culture and competitiveness. Diversity refers to the representation of differences within the workforce, whereas inclusion focuses on creating an environment in which employees feel valued, respected, and empowered (Shore et al., 2011). As businesses compete in knowledge-intensive, innovation-driven environments, workplace diversity and inclusion practices are considered vital strategic assets rather than mere social obligations.

In recent decades, scholars and practitioners have emphasized that fostering diversity in the workplace is not sufficient on its own; what matters equally is how well organizations integrate inclusive practices that allow diverse perspectives to contribute meaningfully (Roberson, 2006). Without inclusion, diversity may result in communication barriers, interpersonal conflict, resistance, and decreased collaboration (Janssens & Zanoni, 2014). Conversely, when inclusive leadership, fair policies, and equitable opportunities are present, diversity becomes a catalyst for organizational learning and innovation (Nishii, 2013). This shift reflects an

organizational evolution from compliance-driven diversity approaches toward strategic, performance-oriented inclusion frameworks.

Creativity and innovation are key areas where the effects of workplace diversity have become particularly evident. Teams with diverse members often access a broader range of experiences, perspectives, and problem-solving approaches, enabling them to generate novel ideas more effectively than homogeneous teams (Hülshager, Anderson, & Salgado, 2009). Research suggests that diverse teams experience enhanced creative output because cognitive differences stimulate divergent thinking and constructive debate (Milliken & Martins, 1996). However, diversity may initially slow cohesion and decision-making when inclusion mechanisms are absent, due to cultural or perceptual differences (Mannix & Neale, 2005). Thus, inclusion serves as a moderator, ensuring that diversity translates into creativity rather than conflict or disengagement.

Beyond team-level creativity, workplace diversity and inclusion have also been linked to broader organizational outcomes such as productivity, profitability, brand reputation, and long-term sustainability (Richard, 2000). Organizations perceived as inclusive tend to attract and retain top talent, improve employee satisfaction, and strengthen organizational commitment (Downey et al., 2015). Furthermore, the presence of diverse perspectives supports adaptability in volatile, uncertain, complex, and ambiguous (VUCA) business environments. Companies such as Google, Microsoft, and IBM now embed structured diversity and inclusion strategies as part of performance improvement and innovation acceleration programs (Shen, Chanda, D'Netto, & Monga, 2009). These developments highlight the emerging consensus that diversity and inclusion are no longer optional but essential drivers of organizational success.

Despite recognized benefits, implementing diversity and inclusion practices remains challenging. Many organizations have reported barriers such as unconscious bias, resistance to change, inadequate leadership support, and inconsistent policy enforcement (Thomas & Ely, 1996). Additionally, cultural differences in communication styles, values, and behavioral expectations can hinder collaboration if not correctly managed (Harrison & Klein, 2007). Therefore, workplace diversity and inclusion must be approached systematically through policies, leadership behaviors, and supportive organizational climates. As global workplaces become increasingly heterogeneous, understanding how D&I practices influence both team creativity and overall organizational performance becomes crucial to ensuring that diversity transforms into measurable strategic value.

Although numerous organizations recognize the importance of diversity and inclusion, the effectiveness of these initiatives varies significantly across contexts. Existing research indicates that diversity alone does not guarantee improved creativity or organizational performance unless supported by structured inclusion initiatives (Nishii, 2013). However, empirical studies examining the direct and indirect relationships among D&I practices, team creativity, and organizational performance remain fragmented. As a result, a research gap persists regarding how specific diversity and inclusion practices influence creative team processes and how these creative outputs subsequently shape organizational performance outcomes. Therefore, deeper empirical investigation is needed to evaluate whether and how diversity and inclusion translate into operational and strategic performance benefits.

This study aims to examine the effects of workplace diversity and inclusion practices on team creativity and organizational performance.

Literature Review

Workplace diversity has long been studied across organizational, sociological, and psychological perspectives, and scholars generally agree that diversity refers to the presence of differences among members of a workforce based on demographic, cognitive, or cultural attributes (Cox & Blake, 1991). Early diversity research focused primarily on equal employment practices and representation, emphasizing race, gender, and age as key dimensions (Thomas & Ely, 1996). Over time, the concept expanded to include diversity of thought, personality, professional background, and learning styles, acknowledging that a diverse workforce is not only a legal or moral requirement but also a strategic advantage (Shen et al., 2009). The theoretical foundations of diversity, including the Information–Decision Making Theory and Social Categorization Theory, highlight two contrasting perspectives: one viewing diversity as a resource enhancing knowledge sharing and problem-solving, and the other emphasizing its potential to cause subgroup division and conflict (Williams & O'Reilly, 1998). These theories form a basis for understanding the dual nature of diversity in workplace settings.

Inclusion has emerged as a critical complement to diversity, addressing the conditions under which differences are valued rather than suppressed (Nishii, 2013). While diversity is about representation, inclusion ensures equitable participation, psychological safety, and opportunities for contribution (Shore et al., 2011). Studies suggest that employees who experience inclusion are more likely to show higher engagement, job satisfaction, and commitment to the organization (Downey et al., 2015). Inclusive practices also include policies, leadership behaviors, and workplace norms that support open communication, respect, and fair decision-making (Roberson, 2006). Inclusive climates encourage individuals from diverse backgrounds to feel connected rather than marginalized, thereby reducing barriers caused by bias, stereotype threat, or cultural misunderstanding (Janssens & Zanoni, 2014). As such, inclusion is recognized not only as a human resource principle but also as a mechanism that converts diverse workforces into collaborative and high-performing environments.

The relationship between diversity and team creativity is well-established in the literature, with many studies indicating that diverse teams generate more innovative solutions due to their wider range of perspectives, knowledge, and cognitive frames (Hülshager et al., 2009). Creativity in teams is shaped by factors such as communication patterns, openness to new ideas, and the ability to form trust across cultural and demographic boundaries (Milliken & Martins, 1996). However, research also shows that diversity can initially hinder collaboration due to misunderstandings or perceived value differences, particularly when inclusion and supportive structures are lacking (Mannix & Neale, 2005). When inclusive leadership and organizational support are present, diversity contributes positively to conflict that is task-oriented rather than personal, which in turn enhances divergent thinking and innovation (Harrison & Klein, 2007). Thus, the literature positions inclusion as a moderating factor that transforms diversity into creative potential.

Beyond the team level, diversity and inclusion have been strongly associated with organizational performance outcomes. Empirical studies suggest that

organizations with effective diversity practices experience advantages in employee retention, financial performance, market innovation, and customer satisfaction (Richard, 2000). This is especially relevant in globalized business environments where diverse customer bases require diverse insights. Organizations such as Deloitte and IBM have demonstrated that integrating diversity and inclusion into corporate strategy improves decision quality and enhances organizational learning capabilities (Shen et al., 2009). The Resource-Based View (RBV) of the firm supports this idea, suggesting that diverse human capital can be a source of sustained competitive advantage when managed effectively (Barney, 1991). Therefore, organizational performance benefits arise not simply from having a diverse workforce, but from the strategic development of an inclusive environment that leverages employee strengths.

METHOD

This study adopts a quantitative research design to examine the relationships among workplace diversity practices, inclusion practices, team creativity, and organizational performance. The research population consists of employees working in medium-to-large organizations across various industries, including technology, manufacturing, finance, and service sectors. A purposive sampling technique is employed to target respondents who have at least one year of experience working within team-based organizational settings. Data are collected using a structured online questionnaire consisting of validated measurement instruments adapted from previous studies: workplace diversity practices (Cox & Blake, 1991), inclusion climate (Nishii, 2013), team creativity (Hülsheger et al., 2009), and perceived organizational performance (Richard, 2000). Each construct is measured using a five-point Likert scale ranging from strongly disagree (1) to strongly agree (5). Prior to full data collection, the questionnaire undergoes a pilot test to ensure clarity and reliability. Data analysis is conducted using Partial Least Squares Structural Equation Modeling (PLS-SEM) through SmartPLS software to assess construct validity, reliability, and hypothesized structural relationships.

RESULTS AND DISCUSSION

The demographic analysis of the respondents indicates that data were collected from 312 employees across medium- to large-sized organizations in various industries. The respondents consisted of 52% female and 48% male employees, reflecting a relatively balanced gender representation. The majority of participants were between 26–40 years old (64%), followed by those aged 40+ (22%) and those aged 25- (14%). In terms of professional background, 41% worked in service-based industries, 28% in manufacturing, 19% in technology-based fields, and 12% in finance and corporate sectors. The average work experience among respondents was 6.8 years, and most reported regular involvement in team-based projects (86%). These demographics indicate that the sample is appropriate to examine workplace diversity and inclusion dynamics in professional, collaborative environments.

The measurement model evaluation results demonstrate that all constructs met the acceptable thresholds for reliability and validity. Cronbach's Alpha and Composite Reliability (CR) values for all constructs exceeded the recommended minimum of 0.70, indicating strong internal consistency. Moreover, the Average Variance Extracted (AVE) values for workplace diversity, inclusion, team creativity, and organizational

performance ranged from 0.63 to 0.78, indicating adequate convergent validity. Discriminant validity was confirmed using the Fornell-Larcker criterion and HTMT values, both of which showed that each construct was empirically distinct from one another. Thus, the measurement instruments used in this study were statistically robust.

The structural model results reveal that workplace diversity practices have a positive and significant effect on inclusion practices ($\beta = 0.54$, $p < 0.001$). This indicates that organizations with established diversity policies and representation mechanisms tend to foster more inclusive workplace environments. Workplace diversity also demonstrated a positive relationship with team creativity ($\beta = 0.31$, $p < 0.01$), suggesting that the presence of diverse employee attributes contributes to more varied ideas, perspectives, and creative outcomes within work teams. However, the magnitude of this effect was lower than hypothesized, implying that diversity alone does not fully optimize creative collaboration.

Inclusion emerged as a strong mediating factor and showed the most substantial effect on team creativity ($\beta = 0.47$, $p < 0.001$). This supports the proposition that inclusive environments—characterized by respect, equal opportunity, and psychological safety—enable employees to leverage their diverse viewpoints more effectively. Additionally, inclusion demonstrated a significant positive effect on organizational performance ($\beta = 0.43$, $p < 0.001$), indicating that organizations with inclusive cultures reported better financial outcomes, employee retention, and innovation capacities. When examining mediation effects, the analysis confirms that inclusion partially mediates the relationship between workplace diversity and both team creativity and organizational performance, strengthening the explanatory model of diversity-driven outcomes.

The results indicate that team creativity itself significantly contributes to organizational performance ($\beta = 0.39$, $p < 0.001$). Organizations reporting higher levels of creative output within teams also demonstrated stronger adaptability, competitive differentiation, and operational efficiency. The model's predictive relevance (Q^2 values above 0.25 for all variables) and R^2 values further confirm moderate-to-strong explanatory power: diversity and inclusion explain 56% of the variance in team creativity and 62% of the variance in organizational performance.

Discussion

The findings of this study provide meaningful insights into the relationships among workplace diversity practices, inclusion, team creativity, and organizational performance. The results confirm that diversity alone is not sufficient to yield optimal organizational outcomes unless accompanied by strong inclusion practices. This conclusion aligns with previous research indicating that while diversity creates a foundation for varied perspectives, inclusion determines whether those perspectives are effectively integrated into organizational processes (Shore et al., 2011). The significant positive effect of diversity on inclusion suggests that organizations that intentionally adopt diverse hiring practices, representation initiatives, and equitable policies are more likely to foster cultures that encourage participation, respect, and shared belonging. Thus, diversity initiatives must be embedded in organizational strategy rather than treated as isolated or symbolic programs.

The finding that workplace diversity positively influences team creativity supports the Information–Decision Making Theory, which argues that diverse teams

generate more novel and creative solutions due to the integration of multiple knowledge sources and cognitive viewpoints (Williams & O'Reilly, 1998). However, the moderate strength of this direct effect suggests that diversity on its own presents both opportunities and challenges. Differences in communication style, professional background, and cultural norms may initially create friction, misinterpretation, or discomfort within diverse teams (Mannix & Neale, 2005). These frictions can hinder collaboration when unmanaged, which may explain the weaker-than-expected direct link. Nevertheless, when teams adapt and develop shared norms, these cognitive differences often transform into creative advantages. This observation reinforces the argument that organizations must provide structural and relational mechanisms, such as diversity training, cross-functional collaboration programs, and inclusive leadership development, to support the translation of diversity into creative outputs.

The strong, significant effect of inclusion on team creativity further demonstrates that inclusion acts as a bridge between diversity and innovation. Employees who perceive their workplace as inclusive are more likely to voice ideas, challenge assumptions, and engage in creative problem-solving without fear of rejection or marginalization (Nishii, 2013). This aligns with the psychological safety framework proposed by Edmondson (1999), which posits that environments promoting openness, trust, and respect lead to greater engagement in learning behaviors. Inclusion appears to create the emotional and cognitive space necessary for employees to leverage their diverse experiences and competencies effectively. This is particularly critical in team-based environments where collaboration and communication are central. Thus, inclusion should not be viewed merely as an organizational value but rather as a strategic mechanism that unlocks the performance potential inherent within diverse workforces.

The findings also highlight that organizational performance is significantly influenced by both inclusion and team creativity. Organizations fostering inclusive climates reported improvements in competitive advantage, employee retention, innovation capacity, and client responsiveness. These outcomes align with literature suggesting that inclusive environments attract and retain skilled talent while strengthening employee commitment and reducing turnover-related costs (Downey et al., 2015). Furthermore, the positive relationship between team creativity and organizational performance underscores the importance of creativity in contemporary business environments characterized by rapid technological changes and market uncertainty. Creative teams drive innovation that differentiates organizations and increases their adaptability to emerging challenges. This supports the Resource-Based View (RBV), which identifies human capital diversity and team learning capabilities as sources of sustained competitive advantage (Barney, 1991). Therefore, organizations seeking long-term competitiveness should prioritize the development of inclusive cultures and creativity-enabling structures.

Another key insight emerging from the study is the mediating role of inclusion between diversity and organizational outcomes. The mediation results indicate that while diversity contributes to organizational success, its impact becomes substantially stronger when inclusion is present. This confirms arguments by scholars such as Roberson (2006) and Harrison and Klein (2007), who emphasize that diversity initiatives that focus solely on representation without creating equitable engagement mechanisms often fail to deliver meaningful performance outcomes. Without inclusion,

diversity can trigger social categorization, stereotyping, or subgroup division, ultimately undermining teamwork and productivity (Janssens & Zanoni, 2014). The mediation findings therefore support a more integrated approach in which diversity and inclusion are implemented as complementary rather than independent strategies. This integrative view provides a more accurate representation of how diversity initiatives yield value in real organizational settings.

The model also demonstrates strong predictive relevance and explains a considerable portion of the variance in both team creativity and organizational performance. These findings suggest that the conceptual framework used in this study provides a robust representation of how diversity dynamics operate within modern workplaces. The results also highlight practical implications: leaders, human resource practitioners, and policymakers should recognize that diversity management is not merely about increasing representation but about creating structures that ensure equitable access to opportunities, decision-making processes, and emotional belonging. The findings point to specific practices that may enhance inclusion, such as transparent communication, unbiased promotion systems, inclusive leadership development, and employee resource groups.

Although the study provides valuable insights, several contextual considerations must be acknowledged. The respondents came from varied industries and organizational sizes, which may introduce differences in how diversity and inclusion are perceived. Additionally, the measures rely on self-reported perception data rather than objective performance metrics, which may affect the accuracy of assessing organizational performance. Despite these limitations, the consistency of the results across respondents indicates that the relationships observed reflect meaningful patterns rather than sampling anomalies.

Future research may expand this study by incorporating longitudinal designs to examine how diversity and inclusion evolve over time or by comparing results across cultural and industry contexts. Qualitative methods could also be applied to explore employee experiences more deeply and uncover additional factors influencing diversity-related outcomes, such as leadership style, national culture, or organizational maturity.

CONCLUSION

This study concludes that workplace diversity, when supported by strong inclusion practices, plays a significant role in enhancing team creativity and improving organizational performance. The findings demonstrate that diversity alone does not automatically yield positive outcomes; instead, inclusion acts as a crucial mechanism that transforms diverse perspectives, skills, and backgrounds into meaningful creative contributions. Inclusion fosters psychological safety, equitable participation, and a sense of belonging, enabling teams to communicate openly, take risks, and collaborate productively. As a result, team creativity increases, which in turn contributes to stronger organizational innovation, competitiveness, and overall performance. The mediation role of inclusion further emphasizes that organizations must move beyond symbolic diversity efforts and adopt comprehensive strategies that integrate policy, culture, and leadership behaviors aimed at fostering inclusive environments. By doing so, diversity and inclusion become strategic resources that

drive sustainable organizational growth, talent retention, and long-term advantage in an increasingly dynamic and global business landscape.

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