

## ***Harnessing Diversity: The Role of Inclusive HR Practices in Driving Innovation and Organizational Growth***

**Hendry Qurniawan<sup>1</sup>, Ilham Syahputra Saragihi<sup>2</sup>, Dedi Suhendro<sup>3</sup>**

STIKOM Tunas Bangsa

[hendry@amiktunasbangsa.ac.id](mailto:hendry@amiktunasbangsa.ac.id), [ilham@amiktunasbangsa.ac.id](mailto:ilham@amiktunasbangsa.ac.id),

[dedisu@amiktunasbangsa.ac.id](mailto:dedisu@amiktunasbangsa.ac.id)

### **ABSTRACT**

*This study explores the impact of inclusive human resource practices and workforce diversity on organizational growth, with a focus on the mediating role of innovation capability. Using data from Balai Pengelola Transportasi Darat Kelas II Provinsi Sumatera Barat, the research employs a quantitative design with random sampling, resulting in 78 respondents from a population of 352. Path analysis, conducted using SmartPLS, reveals significant direct and indirect effects of inclusive human resource practices and workforce diversity on organizational growth, mediated through innovation capability. Inclusive human resource practices significantly enhance innovation capability, which in turn drives organizational growth. Similarly, workforce diversity contributes to organizational growth by improving innovation capabilities. These findings highlight the importance of fostering an inclusive and diverse work environment to promote innovation and achieve sustainable organizational success.*

**Keywords :** *Inclusive Human Resource Practices, Workforce Diversity, Innovation Capability, Organizational Growth*

### **1. Introduction**

In today's rapidly evolving business landscape, organizations are increasingly recognizing the value of diversity and inclusion as key drivers of innovation and growth (Deborah Chiamaka et al., 2024). As companies navigate complex global markets, the ability to harness diverse perspectives and foster inclusive environments has become a critical factor in maintaining competitive advantage (Kaur & Arora, 2020). Inclusive HR practices not only enhance employee engagement and satisfaction but also unlock the potential for creative problem-solving and innovative thinking. By embracing diversity within the workforce, organizations are better positioned to adapt to change, address emerging challenges, and achieve sustainable growth (Saha et al., 2020).

As organizations strive to harness the benefits of diversity and inclusive HR practices, the ultimate goal is often to achieve sustained Organizational Growth (Hillmann & Guenther, 2021). Organizational growth is more than just an increase in revenue or market share; it encompasses the expansion of a company's capabilities, its ability to innovate, and its resilience in the face of challenges (Chung et al., 2021). Growth is reflected in the development of new products and services, the successful entry into new markets, and the cultivation of a strong, adaptable organizational culture (Kuknor & Bhattacharya, 2022). A growing organization not only scales in size but also enhances its influence, reputation, and impact within its industry. This holistic growth requires a foundation of strong leadership, a commitment to continuous learning, and the strategic integration of diverse talents and ideas across all levels of the organization (Hur, 2020).

To support such dynamic Organizational Growth, Inclusive HR Practices play a pivotal role by creating an environment where every employee feels valued, respected, and empowered to contribute their best work (Chaudhry et al., 2021). Inclusive HR practices go beyond traditional diversity initiatives by actively ensuring that all employees, regardless of their

background, have equal opportunities for development, advancement, and participation in decision-making processes (Wilbur et al., 2020). These practices include equitable recruitment and promotion policies, inclusive leadership training, and programs that encourage cross-cultural collaboration and understanding (Eikhof, 2020). By fostering a culture of inclusion, organizations can tap into a wider range of perspectives and ideas, leading to more innovative solutions and a more engaged workforce (Sung & Choi, 2021). Inclusive HR practices not only enhance employee satisfaction and retention but also build a resilient organization that thrives on diversity, driving both individual and collective success (Saunila, 2020).

At the core of Inclusive HR Practices is Workforce Diversity, which brings together individuals from varied backgrounds, cultures, experiences, and perspectives. Workforce diversity is not just about having a mix of demographics; it's about leveraging these differences to enrich organizational knowledge and creativity (Bansal et al., 2023). A diverse workforce enables organizations to better understand and meet the needs of a global customer base, adapt to different market conditions, and anticipate emerging trends (Jalil et al., 2022). When diversity is embraced and integrated into the organizational fabric, it fosters an environment where diverse viewpoints can intersect, sparking innovation and leading to more effective problem-solving (Rii et al., 2022). Moreover, diversity drives organizations to challenge the status quo, explore unconventional ideas, and pursue opportunities that might otherwise be overlooked. By cultivating workforce diversity, companies are not only building a more inclusive workplace but also laying the foundation for sustained innovation and long-term organizational success (Mikalef & Krogstie, 2020).

Building on the foundation of Workforce Diversity, Innovation Capability emerges as a crucial element that propels organizations forward. Innovation capability refers to an organization's capacity to generate, develop, and implement new ideas, processes, products, or services that provide a competitive edge (Riswanto, 2021). This capability is significantly enhanced in a diverse and inclusive environment, where different perspectives converge to fuel creativity and out-of-the-box thinking (Wibowo et al., 2020). Organizations with strong innovation capabilities are better equipped to respond to market changes, meet evolving customer demands, and drive continuous improvement (Anwar & Abdullah, 2021). They are agile, able to pivot quickly in response to disruptions, and are often at the forefront of industry advancements (Werdhastutie et al., 2020). By fostering innovation capability through inclusive practices and diverse talent, companies can transform challenges into opportunities, ensuring their growth is not only sustained but also progressive and forward-thinking (Prasad et al., 2020).

When applied to the context of the Balai Pengelola Transportasi Darat (BPTD) Kelas II Provinsi Sumatera Barat, the research variables take on specific significance in driving the organization's effectiveness and growth. Organizational Growth in this setting reflects the agency's ability to expand its operational capabilities, enhance service delivery, and improve public transportation infrastructure across the region. Inclusive HR Practices are crucial for ensuring that the diverse workforce—comprising individuals from various cultural and educational backgrounds—feels valued and engaged, ultimately leading to higher productivity and innovation. Workforce Diversity becomes a strategic asset, enabling the agency to better understand and address the diverse transportation needs of the population it serves. Finally, Innovation Capability is essential for the agency to develop and implement new solutions that improve transportation systems, increase efficiency, and adapt to the evolving demands of public transportation management in Sumatera Barat. By integrating these variables, the agency can achieve sustainable growth and deliver more effective and innovative transportation services.

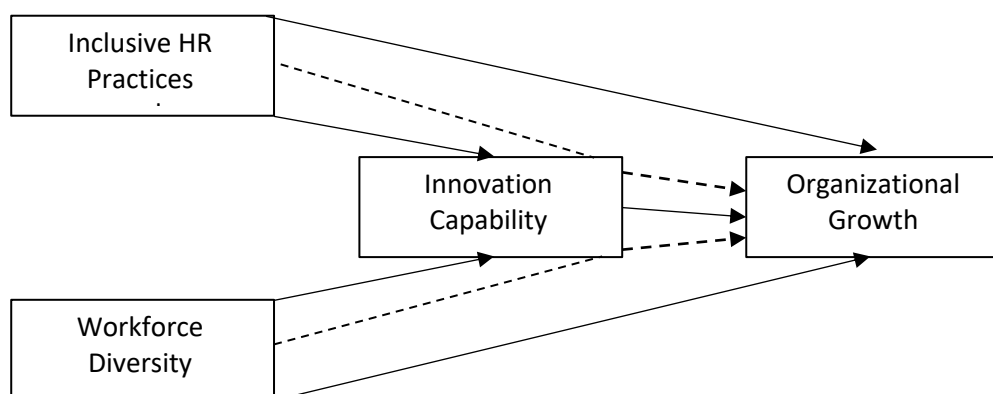
In the BPTD Kelas II Provinsi Sumatera Barat, the organization faces the challenge of adapting to rapidly changing transportation needs and expectations in a diverse and growing population. Despite efforts to enhance public transportation infrastructure and services, the agency struggles with limited innovation and operational growth. This issue is compounded by a lack of inclusive HR practices that fully leverage the potential of a diverse workforce, leading

to underutilization of talent and creativity. Without effective strategies to harness diversity and foster innovation, the agency risks falling behind in its mission to provide efficient, modern, and accessible transportation solutions.

Research on public transportation management has highlighted the critical role of innovation and diversity in driving organizational success; however, significant gaps remain in understanding how these factors can be effectively integrated within government agencies. For instance, a recent study by (Funmilayo Aribidesi Ajayi & Chioma Ann Udeh, 2024) found that while diversity enhances innovation in the private sector, public agencies often fail to capitalize on this potential due to rigid HR practices. Similarly, (Uy et al., 2024) noted that inclusive HR practices are linked to higher employee engagement, but their impact on innovation capability within public transportation sectors remains underexplored. Moreover, according to (Deborah Chiamaka et al., 2024), there is a growing recognition of the need for tailored approaches to foster innovation in government institutions, yet practical applications in regional transportation management have been insufficiently studied. This research aims to fill these gaps by examining how inclusive HR practices and workforce diversity can enhance innovation capability and drive organizational growth in the context of BPTD Kelas II Provinsi Sumatera Barat.

The objective of this research is to investigate how Inclusive HR Practices and Workforce Diversity contribute to enhancing Innovation Capability and subsequently drive Organizational Growth at the BPTD Kelas II Provinsi Sumatera Barat. By examining the relationships between these variables, the study aims to identify effective strategies for leveraging a diverse workforce and inclusive practices to foster innovation within the organization. The research seeks to provide actionable insights and recommendations that can help the agency improve its operational efficiency, adapt to evolving transportation needs, and achieve sustainable growth. Ultimately, the goal is to contribute to the development of a more dynamic and responsive public transportation management framework that meets the demands of the region effectively.

The following theoretical framework was created using developed hypotheses and prior literature:



## 2. Research methods

The research methodology for this study on the BPTD Kelas II Provinsi Sumatera Barat employs a quantitative design to investigate the impact of inclusive HR practices and workforce diversity on organizational growth and innovation capability. Utilizing random sampling from a population of 352 employees, the sample size is determined using the Slovin formula, resulting in 78 respondents. Data will be collected through an online questionnaire, which will be disseminated to ensure broad and efficient reach. The collected data will be analyzed using SmartPLS to evaluate the relationships between variables and to test the research hypotheses.

This methodological approach ensures a representative sample and robust analysis of the effects of diversity and inclusive practices on the agency's performance and growth.

### 3. Results and Discussion

Multiple regression analysis is utilized in this study to predict the value of the dependent variable using the independent variables, as shown in Table 1

Table 1. Path Analysis (Direct Effects)

Path	Original Sample	P - Value	Decision
IHRP -> IC	0.478	0.001	Significant
WD -> IC	0.352	0.012	Significant
IHRP -> OG	0.304	0.025	Significant
WD -> OG	0.290	0.038	Significant
IC -> OG	0.457	0.002	Significant

The results of the path analysis reveal significant direct effects of Inclusive HR Practices (IHRP), Workforce Diversity (WD), and Innovation Capability (IC) on Organizational Growth (OG), underscoring the critical role these factors play in enhancing organizational effectiveness. Specifically, the relationship between IHRP and IC shows a strong positive impact with a coefficient of 0.478 and a p-value of 0.001, indicating that more inclusive HR practices significantly enhance the innovation capability within the organization. This finding is consistent with previous research that demonstrates the positive correlation between inclusive HR practices and improved innovation outcomes (Kaur & Arora, 2020). By fostering a diverse and inclusive workplace, organizations can better leverage varied perspectives and skills, which in turn drives innovative solutions and practices.

Similarly, the path from Workforce Diversity (WD) to Innovation Capability (IC) also shows a positive and statistically significant effect with a coefficient of 0.352 and a p-value of 0.012. This result supports the notion that a diverse workforce contributes to greater innovation capability. Research by (Hillmann & Guenther, 2021) aligns with these findings, highlighting how diverse teams are better positioned to solve complex problems and generate novel ideas due to their varied experiences and perspectives. The data thus reinforces the importance of workforce diversity as a driver of innovation, emphasizing that diverse teams can significantly enhance organizational creativity and problem-solving abilities.

The impact of Inclusive HR Practices (IHRP) on Organizational Growth (OG), with a coefficient of 0.304 and a p-value of 0.025, illustrates the crucial role that inclusive practices play in fostering overall organizational success. Inclusive HR practices not only promote a positive work environment but also support organizational growth by enhancing employee satisfaction and retention (Kuknor & Bhattacharya, 2022). This finding underscores the necessity for organizations to adopt comprehensive HR strategies that are inclusive and equitable to drive sustainable growth and performance.

Moreover, the relationship between Workforce Diversity (WD) and Organizational Growth (OG) shows a positive effect with a coefficient of 0.290 and a p-value of 0.038. This suggests that a more diverse workforce contributes to organizational growth. Research has shown that diverse teams can drive better decision-making and increased organizational effectiveness by reflecting a broader range of customer perspectives and needs (Eikhof, 2020). As organizations strive for growth, leveraging workforce diversity can provide a competitive advantage by enhancing the organization's ability to innovate and meet market demands effectively.

Finally, the significant path from Innovation Capability (IC) to Organizational Growth (OG), with a coefficient of 0.457 and a p-value of 0.002, emphasizes the pivotal role that innovation plays in achieving organizational growth. This result aligns with the broader literature

suggesting that innovation capability is a key driver of organizational performance and expansion (Wibowo et al., 2020). Organizations that successfully foster innovation are better equipped to adapt to changes, explore new opportunities, and sustain growth. The findings highlight the interconnected nature of inclusive HR practices, workforce diversity, innovation capability, and organizational growth, reinforcing the need for a strategic approach to managing these variables to drive overall success.

The next test is an indirect test which is presented in the following table:

Table 2. Path Analysis (Indirect Effects)			
Path	Original Sample	P - Value	Decision
IHRP -> IC -> OG	0.219	0.005	Significant
WD -> IC -> OG	0.161	0.021	Significant

The analysis of indirect effects reveals that both Inclusive HR Practices (IHRP) and Workforce Diversity (WD) significantly impact Organizational Growth (OG) through their effect on Innovation Capability (IC). Specifically, the indirect effect of IHRP on OG via IC, with a coefficient of 0.219 and a p-value of 0.005, indicates that inclusive HR practices enhance organizational growth by first improving innovation capabilities. This finding is consistent with research by (Prasad et al., 2020), which highlights that inclusive HR practices create an environment conducive to innovation, thereby driving organizational success. By improving innovation capability, organizations can better meet market demands and drive growth, demonstrating the importance of fostering inclusive HR practices to achieve long-term growth.

Similarly, the indirect effect of Workforce Diversity (WD) on Organizational Growth (OG) through Innovation Capability (IC), with a coefficient of 0.161 and a p-value of 0.021, underscores the role of diversity in enhancing organizational performance. This result aligns with the work of (Uy et al., 2024), which indicates that workforce diversity contributes to innovation, which in turn supports organizational growth. A diverse workforce brings various perspectives that enhance creativity and problem-solving, leading to innovations that drive growth. Therefore, both inclusive HR practices and workforce diversity are crucial for fostering an innovative environment, which ultimately contributes to organizational growth.

#### 4. Conclusion

In conclusion, the research demonstrates that Inclusive HR Practices (IHRP) and Workforce Diversity (WD) have a significant impact on Organizational Growth (OG), primarily through their influence on Innovation Capability (IC). The direct effects show that inclusive HR practices and a diverse workforce positively affect innovation capability, which in turn drives organizational growth. Furthermore, the indirect effects reveal that these factors enhance organizational growth by first boosting innovation capabilities. These findings emphasize the critical role of fostering an inclusive and diverse work environment to drive innovation and achieve sustainable growth, aligning with current research that underscores the importance of these elements in enhancing organizational performance and adaptability.

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