

The Impact of Workforce Diversity Management on Organizational Performance: A Study in Nepalese Hospitality Sector

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Abstract

Background: The 1960s and 1970s in the United States marked a pivotal era in recognising the importance of workplace diversity and equal opportunities, leading to the establishment of the President's Committee on Equal Employment and the enactment of the 1964 Civil Rights Act. This historical backdrop has evolved into a contemporary emphasis on diverse dimensions, such as demographic, cultural, and cognitive aspects, underscoring its critical role in improving organisational performance—an insight extended to the study's focus on Nepal's hospitality sector.

Objectives: This research aims to investigate the impacts of workplace diversity on organisational performance with the mediating role of inclusion and employee engagement solely.

Methods: The study followed a positivist research paradigm, deductive reasoning, a causal-comparative research method, and snowball sampling techniques for its procedural operations. The study's target populations were the staff employed in hospitality sectors in Nepal. The study incorporated 439 as a sample size. The structured survey questionnaire was used to collect the primary data. The data were analysed using descriptive and inferential statistics like percentages, frequency, and structural equation modelling. In order to analyse the data, SPSS 20 and AMOS 22 were used.

Results: The study supports hypotheses related to the positive influence of workforce diversity on employee inclusion, the positive effects of employee inclusion and engagement on organisational performance, and the partial mediation role of both employee inclusion and engagement in the relationship between workforce diversity and organisational performance. However, the study rejects hypotheses suggesting a direct impact of workforce diversity on employee engagement and organisational performance in the Nepalese hospitality sector.

Conclusions: The crucial role of fostering employee inclusion positively impacts loyalty and effort. While workforce diversity may not directly impact organisational performance, focusing on inclusion can lead to better outcomes. Organisations are urged to prioritise creating inclusive environments for enhanced employee commitment and to better align with the needs of a diverse customer base.

Implications: This research benefits human resource (HR) managers and businesses as it furnishes information that can be utilised to enhance legislative frameworks and establish measures for monitoring employee diversity policies. The findings of this study also aid established and emerging businesses in determining crucial considerations related to staff diversity. Employees currently employed will benefit from this research as it sheds light on the significance of staff diversity in terms of organisational success and growth.

Paper Type: Research Paper

Keywords: Quantitative research, Diversity management, Gender, Age, Hospitality.

Introduction

During the 1960s and 1970s, there was a growing recognition in the United States of the imperative to promote diversity and address issues of equal opportunities in the workplace (Thanseer et al., 2020). This led to the establishment of the President's Committee on Equal Employment, whose primary objective was to eradicate racial discrimination in employment. President John F. Kennedy acknowledged this need in 1961. The 1964 Civil Rights Act was enacted, making discrimination illegal, and it remains in effect to this day. Over time, the focus on promoting diversity in the workplace has evolved, with departments dedicating substantial efforts and resources to implement programs aimed at achieving equality of opportunity in employment. Furthermore, the significance of various demographic characteristics, including sexual orientation and religious beliefs, gained increased attention during the 1980s (Thanseer et al., 2020).

Diversity is an increasingly significant aspect of the workplace. The subject of workplace diversity is more popular in the company today (Hussain & Farooquie, 2021). Synergies can be generated, and organisational performance can be enhanced by effectively managing diversity(Thanseer et al., 2020; Kunda & Mor, 2016). Similarly, achieving organisational goals, improved productivity, sound decision-making, and corporate growth and development depend on diversity management. It is a comprehensive strategy that considers demographics, task- and relational-oriented diversity, job-related diversity, and other elements that affect organisational success (Hussain & Farooquie, 2021). The Chartered Institute of Personnel and Development (CIPD) has defined diversity as valuing everyone" in the organisation as an individual, as employees, customers, and clients. The United Nations (UN) gives an inclusive definition of diversity: age, differences, colour, gender, physical ability, sexual orientation, religion, and language are all examples of visible qualities of diversity. As a prevailing pattern, diversity in background, professional experience, abilities, and specialisation, values and culture, and socio-economic status (United Nations and Development Programme, 2020). They believe that including diverse cultures in a workplace brings the best talent.

Two scholars have addressed workplace diversity as a contrast among individuals working in an association that covers ethnic bunches, age, identity, and more (Ejikeme & Ebubechukwu, 2018). Furthermore, it includes how individuals see themselves and how they see others. Organisations on their capacity to grasp the benefits of differences. Associations have to oversee differences to achieve authoritative victory and competitiveness (Ejikeme & Ebubechukwu, 2018). Effective diversity management may increase efficiency, income, market share, or profitability (Thanseer et al., 2020). Additionally, the study identified the positive impact of workplace diversity in the form of organisational financial performance growth, upgrade in the corporate profile, achievement of goals, and enhancement of employee morale (Finnerty, 2004; Kim, 2006). Therefore, the studies have confirmed that workplace diversity impacts employee morale significantly and contributes to organisational goals, followed by corporate profile and performance.

The tourism and hospitality sector also provides employment globally, making it a significant participant in the service economy (International Labour Organization [ILO], 2022). Consequently, the global economy relies heavily on the tourism and hospitality sector (Raju & Parijat, 2019; Barron et al., 2007). In Nepal, the contribution to the GDP comes from various sectors: agriculture at approximately 24.5 per cent, industry at around 13.7 per cent, and services at a significant 61.8 per cent (Economic Survey 2020/21, 2020-2021) (Ministry of Finance, 2020-2021). Therefore, the Nepalese tourism and hospitality sector is relevant to the national economy.

The research problem stems from the need to comprehensively investigate the dynamics between workforce diversity, inclusion, employee engagement, and their combined influence on the performance of organisations within the Nepalese hospitality sector. Given the sector's importance in the national economy, a deeper understanding of these relationships is essential for informing HR managers

and business leaders on strategies to harness the potential benefits of diversity, enhance workplace inclusivity, and foster employee engagement to drive improved organisational performance. Moreover, after extensive literature reviews, the present researcher could not locate instances of a culture of inquiry. The culture of inquiry focuses on a survey-based investigation of the impacts of workforce diversity on organisational performance with mediation roles of inclusion and employee engagement in the context of the Nepalese hospitality sector. Therefore, the present researcher identified independent, mediating, and dependent variables mentioned below.

Independent Variable:

o Workforce Diversity: Includes demographic (e.g., age, gender, ethnicity), cultural, cognitive diversity, and selection procedures within the organisation.

Mediating Variables:

- o Inclusion: The extent to which employees feel valued, respected, and included within the organisation.
- o Employee Engagement: The level of commitment, motivation, and involvement demonstrated by employees.

Dependent Variable:

o Organisational Performance: Measured through productivity, innovation, employee satisfaction, and financial performance.

The main goal of the present effort was to provide an understanding of the impacts of workplace diversity management for improving organisational performance with a focus on experiencing economy-intensive structures of inquiry. In more detail, the present work aimed to:

- a. examine the relationship between workforce diversity and inclusion within the organisation,
- b. explore the relationship between workforce diversity and employee engagement within the organisation,
- c. access the relationship between employee inclusion and organisational performance.
- d. investigate the relationship between employee engagement and organisational performance,
- e. discover the relationship between workforce diversity and organisational performance.
- f. observe the mediating role of employee inclusion between the relationship of organisational performance and workforce diversity.
- g. access the mediating role of employee engagement between the relationship of organisational performance and workforce diversity.

Based on the research objectives, the research question has been developed as follows:

How does the management of workforce diversity impact the organisational performance of the hospitality sector in Nepal? What is the mediating role of inclusion and employee engagement in this relationship?

Based on the above research objectives, the following hypotheses have been developed for the study:

Hypothesis 1: Workforce diversity significantly influences inclusion within the organisation.

Hypothesis 2: Workforce diversity significantly influences employee engagement within the organisation.

Hypothesis 3: Employee inclusion significantly influences organisational performance.

Hypothesis 4: Employee engagement significantly influences organisational performance.

Hypothesis 5: Workforce diversity has a significant impact on organisational performance.

Hypothesis 6: Employee inclusion mediates the relationship between organisational performance and workforce diversity.

Hypothesis 7: Employee engagement mediates the relationship between organisational performance and workforce diversity.

This study critically provides empirical evidence of how workforce diversity management impacts organisational performance in Nepal's hospitality sector. It confirms the mediating roles of inclusion and employee engagement and employs rigorous research methods, diversifying the approach to studying diversity management. The practical implications guide HR managers and businesses to enhance diversity policies. Additionally, the study raises awareness among current employees about the importance of staff diversity, potentially fostering a more inclusive workplace culture.

The current study consists of five sections. Section 1 discusses the background, the objectives, the research gap, the motivation behind the study, and its significance. Section 2 critically reviews the relevant literature. Section 3 discusses the methodological aspects, i.e., population and sample size, and the research procedures. Data analysis and results are presented in section 4. Similarly, Section 5 discusses the study findings, and finally, section 6 concludes with the study's insights.

Review of Literature

This section reviews the conceptual perspectives, policy documents, related studies, institutional best practices and case incidents from various secondary sources.

Review of Conceptual Perspectives

Workforce diversity, according to Gautam (2020), is described as an inclusive composition of employees made up of varied human attributes in terms of gender, caste, ethnicity, age, culture, religion, and race. Workplace diversity (WPD) is defined by Cletus et al. (2018) as a holistic concept that denotes the differences between people working within an organisation. These differences include complex physical, sociological, or psychological characteristics such as gender, ethnicity, sexual orientation, and religious or political beliefs that define an individual or group. The Chartered Institute of Personnel and Development (CIPD, 2020) has defined diversity as "valuing everyone in the organisations as an individual-- as employees, customers, and clients". Similarly, diversity is the process of integrating a variety of individuals into one workplace. Diversity in the workforce includes caste, gender, age, attitude, religion, ability, skills, region, perception, race, sex, experience, and culture (Lamichhane, 2021; United Nations and Development Programme, 2020). Moreover, according to the NGO Federation of Nepal (2017), workforce diversity is adopting best practices with proven results to locate and establish diverse and inclusive organisations.

Review of Theoretical Perspectives

Organisations can use social identity theory to understand the dynamics of workforce diversity and develop strategies that promote inclusion, equity, and respect for individuals' social identity. This includes creating a diverse and inclusive workplace culture, training on diversity and inclusion, and implementing policies addressing bias and discrimination. By fostering an environment that values and respects individual differences, organisations can leverage the strengths of diverse teams and promote better organisational outcomes (Zaballero & Kim, 2012). Cognitive diversity theory is particularly valuable in understanding how the diversity of thought and perspectives can positively influence organisational outcomes. Companies can foster an inclusive environment that encourages creativity and independent thinking through the cognitive diversity theory approach, leading to better problem-solving and innovation. It also promotes increased employee engagement and retention, as employees have a sense of belonging when their unique skills and perspectives are appreciated and valued. (Dongrey & Rokade, 2020).

As mentioned in the paper, both theories underscore the importance of fostering an inclusive workplace culture. Social identity theory emphasises the need to address biases and discrimination, which is critical for creating an environment where employees from diverse backgrounds feel valued and respected. Cognitive diversity theory highlights the benefits of harnessing diverse perspectives for

improved problem-solving and innovation, which can directly impact the organisational performance of businesses in the Nepalese hospitality sector. Therefore, these theories provide a strong theoretical foundation for understanding and addressing the challenges and opportunities associated with workforce diversity management in the Nepalese hospitality sector, ultimately contributing to the study's goals and objectives.

Review of Related Policy Documents

A summary of some related policy documents on workforce diversity in Asian and European countries:

- a. EU Diversity and Inclusion Strategy: The European Union (EU) aims to promote diversity and inclusion policies to ensure equal opportunities in the workforce among the member states. The EU Diversity and Inclusion Strategy addresses discrimination, promotes equality, and supports workforce diversity through various measures (*People First Diversity and Inclusion*, 2023).
- b. China's Ethnic Minority Employment Policy: The Chinese government has implemented policies to encourage the employment of ethnic minorities, particularly in regions with large minority populations. This policy includes affirmative action measures such as job training, education, and financial support for minority-owned businesses (Wu, 1990).
- c. Singapore's Multi-Ethnic Diversity Policy: Singapore's workforce diversity policy promotes a multi-ethnic and multicultural workforce that reflects the country's diversity (Government of Singapore, n.d.). The policy includes affirmative action measures such as providing training and development opportunities for underrepresented groups (Goh, 2017).
- d. Japan's Employment Promotion Law for Persons with Disabilities: Japan's Employment Promotion Law provides incentives and support for employers to hire persons with disabilities. The law also requires employers to make reasonable accommodations for workers with disabilities (Lo, 2012; International Labor Organization, n.d.a).
- e. UK's Equality Act 2010: The UK's Equality Act 2010 aims to promote diversity and equal opportunities in the workforce. The law prohibits discrimination based on age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, and sexual orientation (Equality Act, 2010).
- f. Nepal's reservation policy: Since 2007, the government of Nepal has implemented a reservation policy that has helped to improve inclusion and diversity in the civil, public, and financial sectors. According to this strategy, open competition among all communities accounts for 55 per cent of staffing, while quota or reservation systems account for 45 per cent (Bhul, 2021). Positive discrimination, in particular, can be used to boost federal as well as national growth. According to a survey on diversity and inclusion among 80 thousand civil officials, 56 per cent were Brahmin, 14 per cent Chhetri, 15 per cent were women, 14 per cent ethnics, 8 per cent Madeshi, and 5 per cent Dalit (Wagle, 2019; International Labor Organization, n.d.b).

These policies aim to promote diversity and inclusion in the workforce, tackle discrimination, and create equal opportunities for all.

Review of Related Studies

Organisations with a diverse workforce are better equipped to serve various external consumers in an increasingly global market. Such organisations better understand the legal, financial, educational, economic, and cultural requirements (Thanseer et al., 2020). A study by Benton and Walker (2018) demonstrated that some organisations have successfully implemented programs and policies that foster diversity and inclusiveness in the workplace. Organisations that advance and accomplish a diverse working environment will draw in and retain quality representatives and increase customer loyalty. The result shows that workplace diversity has contributed to more productivity, but some factors, such as differential treatment, could hinder its successful implementation and company success (Dike, 2013).

Additionally, workforce diversity encourages innovation, creativity, and productivity (Khadka & Sunam, 2018) and increases employees' cultural diversity, entrepreneurial behaviour, and values (Lamichhane, 2021). The study also added that workforce diversity helps an organisation be more creative and innovative, retain talented employees and energies, uplift its workforce, and reduce complaints. The analysis of the research data indicated specific trends in diversity management initiatives in the workplace, namely 'work-life balance' initiatives, gender equality, and disability. Bottom-line benefits to organisations related to employee morale, enhanced organisational profile, and improved management and employee relations (Finnerty, 2004). Therefore, workforce differences will be advantageous to the working environment by giving a competitive edge and expanding work efficiency (Lopez et al., 2002).

While the literature review provided valuable insights into the concept of workforce diversity and its potential benefits, it is essential to acknowledge the limitations or problems identified in past studies that are not directly related to the specific topic of "The Impact of Workforce Diversity Management on Organizational Performance: A Study in Nepalese Hospitality Sector." This recognition will help frame the research within its unique context.

One limitation in the existing literature is the lack of studies specifically addressing the Nepalese hospitality sector. The majority of the referenced studies appear to be conducted in diverse settings, often in different countries or industries. Consequently, these findings may not fully capture the Nepalese hospitality sector's unique challenges and opportunities. This gap highlights the need for a targeted study investigating how workforce diversity management practices impact performance in this context.

Furthermore, many studies mentioned in the literature review focus on the general benefits of workforce diversity, such as increased creativity, innovation, and productivity. While these findings are valuable, they may not directly translate to the Nepalese hospitality sector, which may have distinctive dynamics and challenges. For instance, the cultural and socio-economic factors that influence workforce diversity in Nepal could differ significantly from those in other regions, potentially leading to different outcomes.

Additionally, while some policy documents from other countries are cited as examples of diversity and inclusion strategies, it is crucial to recognise that policies in Nepal may differ significantly due to their unique political and social context. The study should consider the specific policies and practices in Nepal that affect workforce diversity management in the hospitality sector, as these could deviate from international norms.

In conclusion, while the existing literature provides a solid foundation for understanding the concept of workforce diversity and its potential benefits, it is crucial to acknowledge the limitations of past studies regarding their relevance to the Nepalese hospitality sector. These limitations underscore the need for a focused study that considers the unique context and challenges of the sector to provide actionable insights for practitioners and policymakers in Nepal.

Methods

In contrast to qualitative research, quantitative research follows a deductive approach. According to Bryman (2004) and Evans and Over (1997), this approach involves utilising theories and concepts derived from previous studies to guide the research process. Tashakkori and Creswell (2007) further emphasise those researchers employing a deductive strategy as the foundation of their study. The chosen theory provides an overarching framework, shaping research hypotheses and guiding data collection methods. Moreover, it is becoming increasingly important in the behavioural and social sciences for scholars and researchers to adapt established theories to explore the cause-and-effect relationship between theoretical assumptions and anticipated outcomes within their respective fields of study (Wildemuth, 1993; Schenker & Rumrill Jr., 2004).

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The study follows a positivist research paradigm, deductive reasoning, quantitative method, causalcomparative research method, and snowball sampling techniques for its processing. Moreover, the study focuses on employees working in the hospitality sector in Nepal as the target population. Snowball sampling involves initially identifying a few participants who meet the criteria and then asking them to refer other potential participants. This method can be effective when the target population is not easily accessible through traditional sampling methods and when there is a need to tap into a network of individuals with similar characteristics or experiences. It often helps reach individuals who may not be publicly listed or readily identifiable through standard sampling techniques (Sedgwick, 2013). The study includes a sample size of 439 staff members from the Nepalese hospitality sector. To attain a 5 per cent margin of error with a 95 per cent confidence level, the researcher initially aimed for a sample size of approximately 385, based on an assumed 50 per cent population proportion (Cochrane, 1963, as cited in Israel, 1992). However, this study received an unexpectedly high number of valid responses, totalling 439.

Rather than discarding the surplus data, all 439 responses were incorporated into the analysis. This decision was made to enhance statistical power, conduct a more comprehensive exploration of variables, and improve the representation of the study, all in alignment with the pursuit of robust research outcomes. Importantly, all 439 responses adhered to predefined quality criteria, ensuring the integrity of the analysis (Asiamah et al., 2017). Descriptive and inferential statistical methods such as percentages, frequency analysis, and structural equation modelling were employed to analyse the collected data. SPSS 20 and AMOS 22 software were utilised to conduct the analysis.

According to Sekaran and Bougie (2016), a questionnaire is a valuable tool for guiding the informationgathering process. In line with this, the researcher developed a two-part questionnaire to ensure the collection of accurate data from both the target population and the sample. The first part of the questionnaire focused on gathering demographic information, while the second part consisted of questions related to the study variables. The second part involved designing five-point Likert scale questions comprising 28 items or statements across four variables. Prior to conducting the structural equation modelling (SEM) and hypothesis testing, various tests were conducted to assess the validity and reliability of the questionnaire, including discriminant validity, convergent validity, and composite reliability tests.

Data Analysis and Results

This section aims to present and discuss the findings comprehensively obtained from the study. The responses provided by the participants were subjected to thorough analysis using both descriptive and inferential statistical techniques, employing IBM SPSS 20 and Amos 22 software. The section is structured into two distinct subsections. The first section delves into analysing the participants' demographic responses, including age, gender, education qualification, job position, income, and religion. The second section primarily focuses on inferential statistics pertaining to the constructs or variables under investigation, encompassing methods such as principal component analysis (PCA), confirmatory factor analysis (CFA), structural equation modelling, and hypothesis testing. The chapter concludes by highlighting the key findings and significant discoveries derived from the analysis and results obtained from the study.

Analysis of Demographic Responses

Demographic Variable	Category	Frequency (f)	Percentage
	Less than 20 years	74	16.9
	20-30 years	126	28.7
Age	30-40 years	174	39.6
	40-50 years	52	11.8
	50 and above	13	3
Gender	Male	323	73.6
Gender	Female	116	26.4
	Primary	251	57.2
Education	Secondary	108	24.6
Education	Undergraduate	70	15.9
	Graduate and above	10	2.3
	Junior Level Staff	156	25.5
Position	Middle level Staff	183	41.7
	Top (Management)	100	22.8
	Below 18000	147	33.5
	18001 to 37000	177	40.3
T	37001 to 44000	98	22.3
Income	44001 to 71000	7	1.6
	71001 to 145000	10	2.3
	145001 and above	-	-
	Hindu	254	57.9
	Christian	107	24.3
Religion	Muslim	16	3.6
	Buddhist	58	13.2
	Others	4	0.9

Table 1. Analysis of Demographic Responses

Note: Sample size (N) = 439

This section displays the distribution of participants' demographic information. The largest age group is "30-40 years," which accounts for 39.6 per cent of the sample. The next most significant group is "20-30 years", at 28.7 per cent, followed by "Less than 20 years" at 16.9 per cent. The smallest groups are "50 and above" at 3 per cent and "40-50 years" at 11.8 per cent. "Male" respondents constitute the majority, making up 73.6 per cent of the sample, while "Female" respondents represent 26.4 per cent. "Primary" education is the most common, accounting for 57.2 per cent of respondents, followed by "Secondary" education at 24.6 per cent. "Undergraduate" education represents 15.9 per cent, and "Graduate and above" education accounts for 2.3 per cent. "Middle-level Staff" is the most common position, making up 41.7 per cent of the sample, followed by "Junior Level Staff" at 25.5 per cent. "Top (Management)" positions represent 22.8 per cent. The "18001 to 37000" income range is the most prevalent, representing 40.3 per cent, with smaller percentages for higher income brackets. "Hindu"

is the most common religion, making up 57.9 per cent of the sample, followed by "Christian" at 24.3 per cent, "Buddhist" at 13.2 per cent, "Muslim" at 3.6 per cent, and "Others" at 0.9 per cent. This data helps in understanding the religious diversity within the studied population.

Analysis of Variables-Related Responses

In this section, the researcher utilised inferential statistics to examine the study variables and the responses provided by the participants. The section can be divided into three main components, namely principal component analysis (PCA), confirmatory factor analysis (CFA), and structural equation modelling (SEM). These analytical techniques were employed to derive meaningful insights and assess the relationship between workforce diversity and organisational performance within the context of the Nepalese hospitality sector. The findings obtained from the SEM were then used to test the formulated hypotheses, aiming to provide a broader understanding of the impact of workforce diversity on organisational performance. The subsequent subsections will delve into a detailed discussion of these analytical approaches.

Principal Component Analysis (PCA)

PCA Varimax was used to identify and extract high-performing items for the constructs and factor loading. On the other hand, an option with a fixed number (4) of variables and an absolute value below 0.50 was used to make it easier to identify the items with study variables.

Variables	Codes	Items	Loading Scores
Independent Variable			
	WD1	My organisation actively recruits and hires individuals from diverse backgrounds.	.676
	WD2	Different ethnicities, cultures, and nationalities are well-represented in our workforce.	.896
Warkford Dimmit	WD3	My organisation values diversity in terms of gender and provides equal opportunities for men and women.	.842
Workforce Diversity	WD4	I have policies and practices in place to promote diversity and inclusion within my organisation.	.799
	WD5	My organisation encourages employees to bring their unique perspectives and experiences to the workplace.	.841
	WD6	Employees from diverse backgrounds feel included and respected within my organisation.	.767
Mediating Variables			
	I1	I feel valued and respected for my contributions to this organisation.	-
	12	My organisation promotes an inclusive culture where diverse perspectives are encouraged and embraced.	-
Inclusion	13	I believe everyone in the organisation has equal opportunities for growth and advancement.	-
	I4	My organisation fosters an environment where individuals can bring their authentic selves to work.	-

Table 2. Factor Loading Items Related to Study Variables

	I5	I feel comfortable expressing my ideas and opinions without fear of judgment or reprisal.	.873
	16	My organisation actively seeks and considers diverse perspectives when making decisions.	.867
	E1	I am committed to my job and the success of the organisation.	-
	E2	I am motivated to contribute my best effort to my work.	-
	E3	I actively collaborate and share ideas with my colleagues.	-
Employee	E4	I am proud to be a part of this organisation.	-
Engagement	E5	I have a clear understanding of how my work contributes to the overall goals of the organisation.	.869
	E6	I feel valued and appreciated for my contributions at work.	.839
	E7	I have opportunities to learn and grow professionally within this organisation.	.858
Dependent Varia	able		
	OP1	My organisation demonstrates high productivity levels.	.805
	OP2	My organisation encourages and supports innovation and creativity.	.802
	OP3	My organisation has achieved financial success.	.798
	OP4	My organisation actively promotes and values diversity in its workforce.	.821
	OP5	The diversity of our workforce brings a range of perspectives and ideas that contribute to innovation and problem-solving.	.853
Organisational Performance	OP6	My organisation has implemented policies and practices that support equal opportunities for all employees, regardless of their background.	.827
	OP7	Workforce diversity positively impacts our organisation's ability to adapt to changing market demands and customer preferences.	.778
	OP8	The diversity of our workforce enhances collaboration and teamwork within our organisation.	.791
	OP9	My organisation has seen measurable improvements in productivity, customer satisfaction, and financial performance due to our focus on workforce diversity.	.534
g 2022			

Source: Survey 2023

Table 2 shows the total number of the items or statements of the dependent and independent variables of the study that are used in factor analysis. Only 16 items were extracted from a total of 28 items through PCA. Due to weak commonalities and cross-loading issues, the remaining items (11, 12, 13, 14, E1, E2, E3, E4) were dropped from the rotated component matrix. Similarly, KMO and Cronbach's alpha calculations were made to determine whether the extracted elements of each construct had adequate sample sizes and reliable data. After conducting PCA, the following findings were made:

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Variables	КМО	Eigenvalue	per cent of the variance	Cronbach's Alpha
Workforce Diversity (WD)		6.158	28.254	0.894
Inclusion (I)	0.877	4.006	19.873	0.728
Employee Engagement (E)		2.263	11.896	0.810
Organisational Performace (OP)		1.245	8.338	0.922

Table 3. Variable ways KMO	Figonvoluo Porcontag	of variance and	Crophach's Alpha
Table J. variable ways KINO	, Eigenvalue, I cicentago	e of variance, and	CIUNDACII S AIPIIA

Notes: All the extracted constructs and items have appropriate KMO (>.60); Eigenvalue (>1), per cent of variance (close to 1); Cronbach's Alpha (>.70). This means that the data set can be used for further analysis like confirmatory factor analysis.

Confirmatory Factor Analysis (CFA)

In this study, the researcher computed different model fit indices and evaluated the reliability and validity of the data for structural equation modelling. As part of confirmatory factor analysis, factor loading was assessed for each item; only 16 items from the 28 items extracted in PCA were validated for further analysis. For each latent variable, only three items remained. Similarly, the model fit measures were used to assess the overall model fit (P-value, CMIN/DF, SRMR, TLI, CFI, and RMSEA), and all values were within their respective common acceptance levels (Bagozzi & Yi, 1988; Hair et al., 2010; Bentler, 1990; Hu & Bentler, 1998). Table 4 and Table 5 show the overall model fit indices, reliability, and validity drawn from the CFA.

Model Fit Indices	Recommended Value	Sources	Obtained Value
P-value	≤ 0.05	Bagozzi and Yi (1988)	0.000
CMIN/DF	3-5	Hair et al. (2010)	3.177
CFI	>.90	Bentler (1990)	0.950
RMSEA	<.08	Hu and Bentler (1998)	0.058
TLI	>.90	Bentler (1990)	0.945
SRMR	<.08	Hu and Bentler (1998)	0.0459

Table 4. Computation and Analysis of Model Fit Indices for CFA

Notes: P-value=Likelihood Ratio, CMIN/DF=Relative X2, SRMR=Standardized Root Mean Squared Residual, CFI= Comparative Fit Index, RMSEA= Root Mean Square Error of Approximation, TLI= Tucker-Lewis coefficient.

Variables	CR	AVE	MSV	MaxR(H)	WD	Ι	Е	OP
WD	0.901	0.604	0.082	0.906	0.777			
Ι	0.822	0.698	0.132	0.823	0.286***	0.835		
Е	0.844	0.637	1.132	0.845	0.071	0.364***	0.798	
OP	0.925	0.581	0.109	0.928	0.061	1.329***	0.275***	0.762

Notes: There are no problems with validity here. In this study, all the reliability and validity criteria for the CFA model fit indices are significant.

*** Lower self-correlations of variables than the correlation with other variables, indicating discriminant validity issue.

Structural Equation Modeling (SEM)

Several researchers (Hair et al., 1998; Lin & Lee, 2004; 2005; Sit et al., 2009) have recommended a two-step modelling process for performing structural equation modelling (SEM), which involves testing confirmatory factor analysis (CFA) before testing the structure of the model. SEM has three primary benefits. First, it provides a direct approach to managing relationships and can offer statistical efficiency, which is not possible with multiple regression analysis. Second, SEM allows for comprehensively examining relationships between observed and latent variables (Hoyle, 1995; Schaupp et al., 2010). For this reason, the present study employed PCA for exploratory analysis and used CFA, verifying model fit indices and performing reliability and validity tests before drawing the SEM model for path or hypothesis analysis using IBM SPSS Amos 22 (Saeed et al., 2022). The path diagram of SEM can be illustrated as follows:

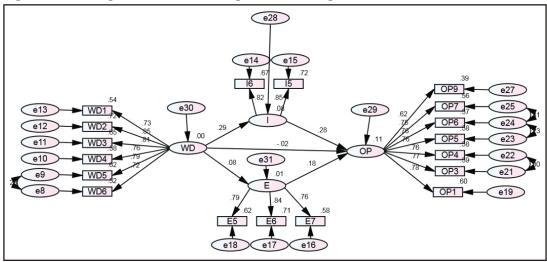


Figure 1. Path Diagram for Structural Equation Modeling

Table 6. Analysis of Four Designed Alternative Hypotheses through SEM Results

Hypothesis		Path		Estimate	Std. Error	Critical Ratio	P-value	Interpretation
H1	Ι	<	WD	0.299	0.056	5.367	***	significant
H2	Е	<	WD	0.092	0.062	1.472	0.141	insignificant
Н3	OP	<	Ι	0.199	0.04	4.939	***	significant
H4	OP	<	Е	0.117	0.034	3.424	***	significant
Н5	OP	<	WD	-0.014	0.04	-0.363	0.717	insignificant

Notes: N = 439; **p < 0.01; *p < 0.05; ***p < 0.10; I = Inclusion; WD: Workforce Diversity; E = Employee Engagement; OP: Organizational Performance.

The above table shows the overall outcomes of SEM for the designed hypotheses. In this study, five different alternative hypotheses were designed to examine the impact of workforce diversity on organisational performance in the Nepalese hospitality sector. Hypotheses resulting based on path analysis shows that workforce diversity has a significant influence on employee inclusion (β =.299, P<.10). Workforce diversity has no significant influence on employee engagement (β =.092, P>.10). Employee inclusion has significant influences on organisational performance (β =.199, P<.10). Employee engagement has significant influence on organisational performance (β =.117, P<.10). Workforce diversity has no significant relationship with organisational performance (β =-0.014, P>.10).

Based on these results, we accept the H1, H3, and H4. We rejected H2 and H5 since the p-value is insignificant, contrary to the hypothesised nature of the relationship.

Mediation Testing

The mediation analysis is conducted by treating workforce diversity as an independent variable, organisational performance as a dependent variable, and inclusion and employee engagement as a mediator. The mediation analysis is based on the analysis of indirect effects based on the guideline by Baron and Kenny's (1986) classical approach. The present scribe performed mediation analysis using the indirect effects based on bootstrap procedures (500 samples) and bias-corrected bootstrap confidence interval (90 per cent). The results are provided in the following table.

H. No.	Path	Standard estimate	Low	High	Remarks
H6	WD>I>OP	0.14	002	.034	Hypothesis supported since indirect effects are statistically significant
H7	WD>E>OP	.071	.038	.114	Hypothesis supported since indirect effects are statistically significant

Table 7. Mediation Analysis

I Inclusion; WD: Workforce Diversity; E Employee Engagement; OP: Organisational Performance. The result shows that inclusion partially mediates the relationship between organisational performance and workforce diversity as indirect effects are statistically significant (β = 0.14, CI= -.002, .034). Furthermore, that employee engagement is partially mediating the relationship between organisational performance and workforce diversity (β =.071, CI= .038, .114). Based on these results, we accept the H6 and H7.

Discussions

The study's path analysis revealed that workforce diversity significantly influences employee inclusion, a finding consistent with Derven (2014). This implies a positive relationship, suggesting that organisations with more diverse workforces tend to foster higher levels of employee inclusion. On the other hand, the impact of workforce diversity on employee engagement is found to be statistically insignificant, which contrasts with the findings of Downey et al. (2015). Workforce diversity may not lead to employee engagement because diversity alone does not guarantee engagement. It requires supportive factors like inclusive culture, leadership, and effective communication to foster engagement among a diverse workforce. Simply having a diverse workforce doesn't automatically translate into higher engagement levels (Nnabuife & Madu, 2020).

Furthermore, the study demonstrates that employee inclusion significantly affects organisational performance, aligning with the results found in Shrestha (2019). Employee inclusion significantly affects organisational performance because it fosters a positive and inclusive workplace culture where diverse perspectives are valued. This, in turn, leads to enhanced collaboration, innovation, and employee motivation, ultimately resulting in improved organisational performance (Shrestha, 2019). Similarly, there is a significant positive relationship between employee engagement and organisational performance, consistent with the findings by Shrestha (2019) and (Patro, 2013). Engaged employees demonstrate higher commitment, motivation, and productivity, ultimately positively influencing organisational performance is reported as statistically insignificant, contradicting the results presented in Kundu (2017) and Saxena (2014). Their study clearly stated that organisations should prioritise diversity to improve their overall organisational effectiveness.

The study's findings indicate that inclusion is a mediator in the relationship between organisational performance and workforce diversity. Inclusion helps explain how diversity influences organisational

performance, which aligns with previous research by Itam et al. (2019) and Sabharwal (2014). A more inclusive organisational culture and environment created by workforce diversity positively affect employee attitudes, behaviours, and performance, which, in turn, contributes to improved organisational performance. Inclusion acts as a bridge, helping to translate diversity into tangible benefits for the organisation (Itam et al., 2019; Sabharwal, 2014). The summary mentions that employee engagement also mediates the relationship between organisational performance and workforce diversity, although the specific study supporting this finding is unavailable. This suggests that engagement plays a role in explaining how diversity influences performance. An organisation that embraces diversity and fosters an inclusive environment tends to enhance employee engagement (Alshaabani et al., 2022). Engaged employees are more committed, motivated, and productive, which, in turn, positively impacts organisational performance (Patro, 2013). Employee engagement is a conduit through which diversity-related improvements lead to better performance.

Conclusions

The results of the present study concluded that workforce diversity significantly influences employee inclusion. When employees feel valued, supported and included, they are more likely to be loyal to the organisation and work harder. Having employees from different backgrounds can help organisations better understand and serve diverse customers. Workforce diversity has no significant influence on employee engagement. Employee inclusion has a significant impact on organisational performance. Employee engagement has a significant influence on organisational performance. Workforce diversity has no significant impact on organisational performance. Inclusion mediates the relationship between organisational performance and workforce diversity.

Furthermore, employee engagement mediates the relationship between organisational performance and workforce diversity. Companies that promote diversity and inclusion tend to have a positive reputation and attract top performers from diverse backgrounds. Promoting diversity and inclusion is a good business practice and a legal requirement in many jurisdictions.

The findings underscore the importance of fostering employee inclusion, as it positively impacts employee loyalty and effort. Organisations should prioritise creating an inclusive environment to enhance employee commitment and better serve a diverse customer base. While workforce diversity may not directly impact organisational performance, focusing on inclusion can lead to better outcomes. Additionally, recognising that diversity and inclusion contribute to a positive reputation can help organisations attract top talent.

Future research could explore strategies and initiatives promoting employee inclusion and engagement in diverse organisations. Examining leadership and organisational culture's role in fostering inclusion and measuring its direct impact on performance could provide valuable insights. Additionally, exploring the long-term effects of diversity and inclusion practices on organisational sustainability and innovation is a promising avenue for research.

It's essential to acknowledge that this study may have limitations related to its sample size or methodology. The findings may not be generalisable to all industries or regions. Additionally, the study does not establish a direct link between workforce diversity and organisational performance, suggesting further investigation. Finally, the study's cross-sectional nature may limit our understanding of causality in the relationships examined. One limitation of this study is that it was conducted between January 2023 and July 2023, utilising a structured survey questionnaire to gather primary data, which might not capture potential seasonal variations that could affect the hospitality and tourism sector findings. Additionally, the study's cober was limited to the hospitality and tourism sector, which may restrict the generalizability of the results to other industries. Furthermore, the study's cross-sectional nature may constrain our ability to establish causality in the relationships examined within this sector.

Conflict of Interest

The authors declare no conflict of interest.

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