

# Effect of Diversity Management on Organizational Trust, Employee Innovative Behavior, and Employee Engagement: Evidence from Indonesia

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## Abstract

Internationalization and economic globalization cause diversity in organizations to be higher, thus requiring a diversity management approach. This quantitative study aims to analyze the effect of diversity management on organizational trust, employee innovative behavior, and employee engagement. Data were collected using a questionnaire involving 115 employees of a large private bank in Jakarta, Indonesia. Analysis of research data using structural equation modeling (SEM) with SmartPLS software. The results showed that diversity management has a positive effect on organizational trust, employee innovative behavior, and employee engagement. Organizational trust has a positive effect on employee innovative behavior and employee engagement. Organizational trust mediates the effect of diversity management on employee innovative behavior and employee engagement. Diversity management is very important for organizations today because it can promote organizational trust, create employee innovative behavior and strengthen employee engagement, so every organization needs to establish policies regarding diversity management practices and consistently make it happen.

## Keywords

Diversity management, Organizational trust, Employee innovative behavior, Employee Engagement, Indonesia

## JEL Classification

M14, O15

## Introduction

Indonesia has a very high diversity, which can be seen in variations in religion, culture, ethnicity, customs, language, political views, and so on. The reality of this diversity affects the characteristics of the domestic workforce and the workplace. In addition, internationalization and economic globalization have an impact on increasing the diversification of employee characteristics such as the increasing number of foreign employees and the participation of women in the workforce, as well as the increasing number of employees with different cultures, knowledge, skills, and abilities. This phenomenon requires a diversity management approach that can anticipate individual differences within an organization to create a competitive advantage (Nart et al., 2018).

Diversity management is needed to overcome employee perceptions of marginalization and control cultural differences and conflicts, thus creating a work team and increasing organizational efficiency. Leaders need to recognize, value, and manage diversity in order to benefit the entire organization (Inegbedion et al., 2020). Diversity management is an inseparable part of managing an organization and as a way to overcome the challenges and

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obstacles faced in connection with diversity within the organization (Atiyah, 2016). Diversity management has the potential to help organizations create a climate that allows employees to work harder and be loyal to work for a long time with the organization (Ohunakin et al., 2019). Organizations that are successful in implementing diversity management will have the capacity to improve organizational capabilities and attract quality human resources (Atiyah, 2016) because they are seen as more progressive and attractive organizations for individuals from all level of employees (Samuel and Odor, 2018). Diversity management has certain challenges, but if managed properly, the organization can gain enormous benefits (Ohunakin et al., 2019) because diversity management can affect the outcomes produced by both employees and the organization (Kundu and Mor, 2016; Yadav and Lenka, 2020). Research on the effect of diversity management on several variables has been carried out by previous researchers, for example the effect of diversity management on performance (Olufemi and Olabisi, 2020; Omotayo et al., 2020; Blouch and Azeem, 2019); the impact of diversity management on organizational justice (Kim and Park, 2017); the influence of diversity management on organizational citizenship behavior (Bizri, 2018); the effect of diversity management on organizational commitment (Kundu and Mor, 2016); the impact of diversity management on work engagement (Alshaabani et al., 2022); the effect of diversity management on innovation and performance (Adiguzel and Cakir, 2020).

Studies on the effect of diversity management on organizational trust, employee innovative behavior, and employee engagement have not been widely conducted. According to Józefowicz (2017), diversity management and organizational trust are connected intuitively, but it is very difficult to find a comprehensive study on the impact of diversity management on organizational trust and vice versa. Then Józefowicz (2017) conducted a literature study on diversity management and organizational trust. Two empirical studies have been conducted by previous researchers in Iran (Southwest Asia) and Hungary (Europe). First, Ganji et al. (2021) investigated the effect of diversity management on employee innovative behavior through employee engagement and affective commitment of employees in the field of higher education, namely a large university in Iran. Second, study on the effect of diversity management on employee engagement with mediating factors of organizational trust and job insecurity has been conducted by Alshaabani et al. (2022) in several companies in Hungary, especially in the fields of marketing, consulting, IT, and logistics services.

Based on the explanation above, it is clear that there are still limited studies on the influence of diversity management on organizational trust, employee innovative behavior, and employee engagement, especially in countries in Southeast Asia, including Indonesia, which has a high level of diversity. Thus, there are gaps in the literature and empirical on the topic, which this study can fill. For that, this study aims to analyze the effect of diversity management on three variables, namely organizational trust, employee innovative behavior and employee engagement. The selection of the unit of analysis in banking is because this area has not been widely explored by previous researchers.

This research was conducted on employees of a largest private bank in Jakarta, Indonesia. The bank has 1235 branch offices spread across various regions in Indonesia and has a total of more than 25,000 employees. This bank has advantages over other banks in terms of banking product innovation, advanced IT implementation, and online banking services. In recent years, this bank has always won various competitions, such as the 2019 Gallup Great Workplace, Indonesia Human Capital Award (IHCA) 2021, HR Asia Award 2021, Stellar Workplace Award 2021, Indonesia Human Capital Award (IHCA) 2022, and others.

## Literature Review

### Diversity Management

Diversity management places emphasis on recognizing the differences that each individual has and respect for differences, where the organization treats employees fairly and with respect so that employees feel as valuable and effective parts of the organization (Atiyah, 2016). Diversity management is an critical part of management strategy that allows organizations to recognize differences among employees with the aim of acquiring competent employees regardless of gender, age, race, etc. to construct a knowledge foundation and increase synergy between employees and the organization (Urbancová et al., 2020).

Diversity management refers to the voluntary actions taken by the organization to create greater inclusion for skilled and competent employees to be involved in the structure through planned policies and programs (Sharma, 2016). The challenge in diversity management lies in aspects of different individual characteristics, which affect behavior in organizations such as ways of thinking, perceiving, and feeling. Therefore, diversity in individual characteristics requires a careful and rational analytical approach to be able to manage it effectively (Olufemi and Olabisi, 2020). Diversity management is a win-win situation for organizations looking to grow and compete across borders. Differences in age, gender, religion, and race are not the only elements that cause to diversity in the organization. Therefore, the organization's ability to manage diversified employees directly affects the quality, creativity, and innovation in the planning and development of new products. Diversity management helps bridge the gap in the utilization of organizational resources because employees have different talents (Olufemi and Olabisi, 2020). Diversity management is useful in planning and developing programs according to needs and creating an

organizational culture that can encourage diversity to optimize manpower productivity, build a multicultural dimension that embraces all work teams, design attractive meetings that are appropriate for everyone, and conduct recruitment, selection, motivation, and promotion of a diverse manpower (Olufemi and Olabisi, 2020).

Diversity management is the totality of managerial activities, namely marketing, production, finance, human resources, accounting, research and development, and innovation; and also, it includes management functions cover planning, organizing, staffing, leading and controlling (Ogbo and Kifordu, 2015). For example, in marketing and production activities, organizations need to understand market needs in order to best serve diverse consumers around the world. As markets become global, the purchasing power of several groups increases. Thus, organizations need to understand different perspectives to offer the services and products that consumers are looking for. Organizations should try to reflect this diversity of consumers by creating diversity in the workplace by recruiting and supporting a diverse manpower (Croitoru et al., 2022). Sensitivity or awareness of employees to diversity needs to be grown in the organization. Diversity or awareness of equal treatment of all employees can be disseminated directly through training and orientation or indirectly, by embedding it in all HR processes such as in staffing, training and development, performance appraisal, remuneration, work-life balance, quality of work life maintenance, promotion, stress management, domestic and international task allocation, rewards and recognition, and so on (Das, 2019). Thus, organizations that enforce policies regarding diversity management can bring changes to the organization, especially in creating, maintaining, and changing inequalities within the organization (Ylöstalo, 2016).

### **Organizational Trust**

Trust is one of the factors that underlie the success and achievement of all types of business goals. Trust among employees encourages divergent behavior that can facilitate experimentation, risk, acceptance, and participatory decision making among employees. Organizational trust helps employees share valuable knowledge with others, and practice acceptance of other individuals properly (Anturi et al., 2020). Trust is not only a shared expectation, but also a phenomenon that implies an interaction that provides a sense of security for every employee in the organization (Nešić et al., 2020). Organizations with high levels of trust tend to create products and services at low costs because employees are motivated, take risks, create innovation, and accept the organization's vision, mission, and values more quickly (Nešić et al., 2020). The higher the trust in the organization, the more actively employees participate in innovation behavior (Lin and Shin, 2021).

Organizational trust is the psychological commitment of employees to the organization by accepting the philosophy and belief that the future of employees will be preserved by the organization (Zanabazar et al., 2022). Organizational trust facilitates the ability of employees to be involved simultaneously in both exploitation and exploration. Organizational trust can prevent the emergence of rules that characterize exploitation and employees will follow the rules, share knowledge and experience, reduce coordination costs and increase efficiency. In terms of exploration, a high level of trust in the organization is able to take advantage of new opportunities. To encourage exploration, companies can use trust to allow employees to take risks and explore new ways of doing work (Anturi et al., 2020).

### **Employee Innovative Behavior**

Innovative behavior is the process of generating new ideas and implementing useful ideas (Scott and Bruce, 1994). Innovative behavior generally refers to the process of generating and implementing new ideas to improve work quality and performance (Zainal et al., 2020). Employee innovative behavior is the ability of employees to produce innovative solutions to a problem through new thinking processes by exerting extraordinary efforts to improve performance, excellence, and long-term effectiveness (Javed et al., 2021). Employee innovative behavior is very important to attain organizational innovation. The innovation power of an organization lies in the intelligence, imagination, and creativity of its employees and their implications and support is required for the cultivation and implementation of innovation (Rajah et al., 2020; Sung and Kim, 2021).

Innovation is the practical implementation of methods or ideas that facilitate the introduction of new products or improve the way services and goods are offered (Alharbi, 2021). According to Kahn (2018), innovation refers to three different things, namely results, processes, and mindsets. Innovation as a result emphasizes the desired output, including product, process, marketing, business model, supply chain and organizational innovation. As a process, innovation is noticed with the ways in which results are produced, including the whole innovation process and the development of new products. Innovation as a mindset is aimed at the internalization of innovation by each individual in the organization where innovation is implanted and rooted in harmony with the creation of an organizational culture that supports the development of innovation. In order for organizations to be more innovative, employees need to be encouraged to behave innovatively (Fiernaningsih et al., 2021).

### **Employee Engagement**

Employee engagement is one of the efforts to build a sustainable organization. Effective employee engagement practices can be a powerful tool to gain benefits for sustainable competitiveness. Being bound refers to the psychological state associated with engagement and commitment (Yadav and Katiyar, 2017). In addition, Yadav

and Katiyar (2017) described employee engagement using three different approaches, namely engagement as a description of the situations in which employee work, engagement as a result of behavior, and engagement as a psychological attendance. Employee engagement indicates an employee's commitment to the organization and its values. Employee engagement results in increased productivity, higher financial returns, lower friction, greater talent development, and higher morale and creates emotional engagement and customer loyalty. Employee engagement is also associated with optimal desired outcomes such as job satisfaction, intention to keep working, high productivity, performance, and customer satisfaction (Anitha, 2014).

Organizations treat engaged employees as important assets as they contribute to higher performance, increase profitability and productivity, become brand ambassadors to promote the best things of the organization such as being more likely to stay long in the organization, and create competitive advantage (Devendhiran and Wesley, 2017). Khan (1990) found that there are three psychological states associated with attachment: meaningfulness, security, and availability; that is, workers are more engaged when they are in situations that offer meaning, security and are more psychologically available. According to Baran and Sypniewska (2020), employee engagement must be in line with three dimensional models, namely enthusiasm, dedication, and absorption. Organizations that have a focus on people, employees work more enthusiastically, show vitality in energy and have psychological resilience in difficult situations. In addition, employees show enthusiasm at work, feel important and have a purpose, employees take pride in their work, challenges are seen as opportunities to develop not as problems or obstacles. Employees give their best for work without calculations (Baran and Sypniewska, 2020).

Employee engagement is an indicator for organizational success, so organizations must concentrate on employee engagement to encourage growth and competitive advantage. This engagement encourages commitment and utilization of employee energy to increase production and business performance (Anitha, 2014; Goswami and Goswami, 2017). Employees who have a strong attachment to the organization tend to have better performance. In addition, higher levels of satisfaction, loyalty, and productivity, lower turnover, fewer absenteeism and accidents at work, better quality of work and an increase in goodwill towards the organization (Goswami and Goswami, 2017; Nešić et al., 2020). Similarly, the more employees who are attached to the organization the lower the operating costs, the higher the customer satisfaction and profits. When engaged, employees are aware of their responsibilities and motivate other employees to achieve organizational goals. An employee's positive attitude to the office and the value system is referred to as an employee's positive emotional association to work and the organization. Bonded employees go beyond the call of duty to excel in their roles (Anitha, 2014).

### **The Effect of Diversity Management on Organizational Trust**

The purpose of diversity management is to promote recognition, respect, and acceptance of individual uniqueness. The atmosphere of diversity is seen through mutual understanding and deliberate efforts made by the organization to embrace the uniqueness of each employee (Olufemi and Olabisi, 2020). Respect in the organization has a positive influence on trust in the organization (Bilginoğlu et al., 2019). The study of Alshaabani et al. (2022) hired 580 company employees in Hungary found that diversity management has a positive influence on organizational trust. If the organization is successful in managing diversity, there will be an increase in employee confidence in the organization. Based on the findings, a hypothesis is proposed:

*H1: Diversity management has a positive effect on organizational trust*

### **The Effect of Diversity Management on Employee Innovative Behavior**

Diversity management increases productivity, innovation, profitability, and employee performance because diversity management creates a work environment that allows individuals to work with peace of mind (Olufemi and Olabisi, 2020). If an employee experiences being accepted and appreciated by the organization regardless of heterogeneity he/she has, employees will be more committed to actualizing the goals of the organization. In addition, realizing the climate of organizational diversity due to educational qualifications, gender, age, marital status, and length of employment will affect individual, group, and organizational performance outcomes. There was a direct impact of diversity management on the achievement of organizational performance including innovation (Omotayo et al., 2020). Diversity management can lead to increased promotion of ideas by creating a supportive, diverse and equal work circumstances within the organization, encouraging employees to respect and assist each other regardless of heterogeneity. Diversity management has been shown to predict employee innovative behavior (Ganji et al., 2021). Thus hypothesized:

*H2: Diversity management has a positive effect on employee innovative behavior*

### **Effect of Diversity Management on Employee Engagement**

Employee engagement is seen as a road map to optimize organizational success. Unbound employees create negative consequences for the organization, while engaged employees encourage organizational growth and are committed to providing the best for the organization (Devendhiran and Wesley, 2017). The work environment greatly affects whether or not an employee is bound to the organization. According to Anitha (2014), the work environment can create a sense of community with others and encourage employees to connect emotionally with

others to achieve a high level of engagement. Therefore, personal perceptions of the work environment shape and direct employees to be attached to the organization. In order for employees to have a positive perception, a supportive work environment is needed. Diversity management is one way to create a positive work environment where all employees in the organization feel accepted and valued for their uniqueness because of their background, ethnicity, religion, culture, and other differences inherent in employees. The results of research by Bizri (2018), Ganji et al. (2021), and Alshaabani et al. (2022) proved that diversity management has a positive impact on employee engagement. Therefore, it is hypothesized:

*H3: Diversity management has a positive effect on employee engagement*

### **The Effect of Organizational Trust on Employee Innovative Behavior**

The role of organizational trust is very important in stimulating employee innovative behavior when dealing with various changes (Lin and Shin, 2021). Yu et al. (2018) and Fiernaningsih et al. (2021) found that organizational trust has a positive effect on employee innovative behavior. Organizational trust is an important antecedent of employee innovative behavior, so organizations require to strive for employees to have high trust in the organization. In the process of interaction between employees and organizations, leaders require to establish a supportive job circumstances, serving various persuasive actions that can build and keep employee trust in the organization. Finally, employees are readier to stay with the company and perform very well. Organizational trust allows employees to share and support each other which is a critical driver of innovative behavior among employees, which means that organizational trust positively affects employee innovative behavior (Yu et al., 2018; Lin and Shin, 2021). Then:

*H4: Organizational trust has a positive effect on employee innovative behavior*

### **Effect of Organizational Trust and Employee Engagement**

Organizational trust and employee engagement are two important aspects of employee work behavior, especially in the context of economic and social changes in society, which also reflect the status and position of the organization. The results of the study of Nešić et al. (2020) found that there was a positive influence of organizational trust on employee engagement. Thus, leaders and organizations need to implement certain steps to create a climate in which trust will contribute to work engagement for the formation of trust in the organization. Organizational trust become a critical predictor of employee engagement. It means that the more employees experience high trust in an organization, the higher the employee will be bound in the workplace (Alshaabani et al., 2022). If the employee receives treatment from the organization as a partner; the organization trusts employees, pays attention to teamwork, shows respect and considers employees as enterprising and creative individuals while continuing to cultivate a willingness to act, make decisions, take responsibility, and act ethically, employees will be bound in the organization (Baran and Sypniewska, 2020). Thus, the research hypothesis is formulated:

*H5: Organizational trust has a positive effect on employee engagement*

### **Organizational Trust Mediates the Effect of Diversity Management on Employee Innovative Behavior**

Trust contributes to an increase in employee motivation and commitment, which is the key to organizational survival (Anturi et al., 2020). In addition, trust has been associated with increased innovation and discretionary behavior, higher motivation, and positive attitude. Trust has been found to indirectly encourage desirable work behaviors and create a more conducive climate for organizational performance (Nica, 2022). Trust of the organization mediates the relationship between employees and the organization and employee innovative behavior. Therefore, organizations need to build long period connection with employees, that employees consider themselves as important members of the organization, and increase employee confidence in the organization so that it leads to employee innovative behavior (Yu et al., 2018). Building long period relationships with employees can be done through the implementation of diversity management. Thus, organizational trust can mediate diversity management and employee innovative behavior. Therefore, the hypothesis is formulated:

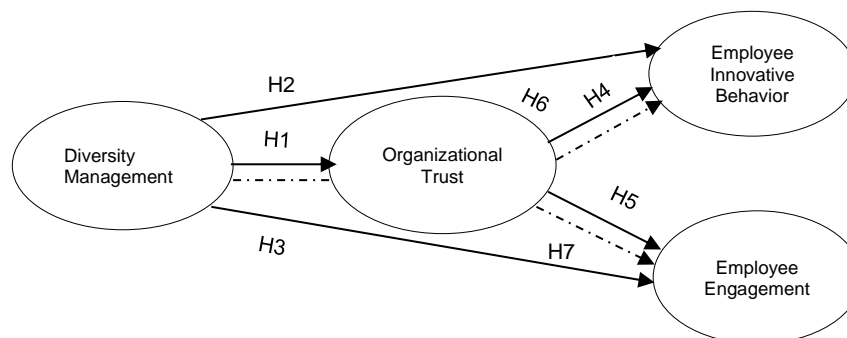
*H6: Organizational trust mediates the effect of diversity management on employee innovative behavior*

### **Organizational Trust Mediates the Effect of Diversity Management on Employee Engagement**

Organizational trust is an important component in the justice paradigm, because trust is one of the important exchange components in the organizational justice model (Cohen, 2015). Organizational justice increases employee confidence in the organization and as a result employee become more involved in the work and the organization (Mubashar et al., 2022). Diversity management practices are closely related to fairness in organizations (Choi & Rainey, 2014). Mubashar et al. (2022) declared that organizational trust mediates the relationship between organizational justice and employee engagement. Research by Alshaabani et al. (2022) provided a scientific insight that organizational trust positively mediates the impact of diversity management on employee engagement. Organizational trust is a mediating variable between diversity management and employee engagement, because diversity management is an organizational policy in ensuring fairness, appreciate, and respect for employees. Organizational trust is an important factor that makes employees focus on job, feel

apprehensive about the problems facing the workplace, and feel motivated and very attached to the organization. Thus, the hypothesis of this study:

*H7: Organizational trust mediates the effect of diversity management on employee engagement*



**Fig. 1.** Research Framework (by the authors)

## Methods

This study is a hypothesis testing that analyzes and confirms the effect of diversity management on organizational trust, employee innovative behavior, and employee engagement. The population of the study was 440 employees spread across four main branch offices in the city of Jakarta, Indonesia. Each main branch office has 100 - 120 employees. Data was obtained using a survey method by distributing online questionnaires through a google form link to bank managers to be forwarded to employees to fill them out voluntarily. By using random sampling technique, 115 generous employees became research respondents. Validity and reliability testing was carried out to test the validity of the questionnaire used. The research data were analyzed using structural equation modeling (SEM) with SmartPLS software.

Measurement of diversity management used 6 statement items adapted from Bizri (2018). To measure organizational trust using 7 items adapted from Kerse (2021). Measurement of employee innovative behavior using 6 items adopted from Hu et al. (2009) and employee engagement using 17 items according to Schaufeli et al. (2002). A five-point Likert scale, i.e. a scale of 1 indicates strongly disagree and a scale of 5 strongly agrees applies to all statement items.

## Results

### Descriptive statistics

The respondents of this study were 115 bank employees. The majority of respondents aged 26-35 years old are 50.4%, 84.3% have a bachelor's degree, 60% are women, and 30.4% have worked for 1-5 years (table 1).

**Table 1.** Demographic Characteristics of Respondents.

Demographic variables	N	Percentage
Age		
Maximum 25 years old	13	11.3
26 – 35 years old	58	50.4
36 – 45 years old	13	11.3
46 – 55 years old	29	25.2
Over 56 years old	2	1.7
Education background		
Diploma degree	4	3.5
Bachelor degree	97	84.3
Master degree	14	12.2
Gender		
Male	46	40
Female	69	60
Job tenure		
Less than 1 year	5	4.3
1 – 5 year	35	30.4
6 – 10 year	27	23.5
11 – 15 year	9	7.8
16 – 20 year	1	0.9
21 – 25 year	18	15.7
Over 25 year	20	17.4

The average for the diversity management variable is 4.3623. These results indicate that diversity management

has been practiced well, where there is an atmosphere of openness, acceptance, and tolerance so that employees feel valued and treated equally in the organization regardless of age, education, gender, status, religion, race and so on. The average of organizational trust is 4.2820. It means that there is high mutual trust among employees and trust in the leader. Employees feel respected, valued and supported especially in difficult times. The average of employee innovative behavior is 4.3522, meaning that employees feel themselves as creative individuals and have contributed creative and innovative ideas to the organization. The average for employee engagement is 4.0833. It means employees feel excited, enthusiastic, proud, and very focused on work because employees find inspiration and meaning from the work they are doing.

**Table 2.** Instrument Validity and Reliability.

Variable	Indicator	Loading Factor	Average Variance Extracted (AVE)	Cronbach's Alpha	Result
Diversity Management	DM1	0,747	0.680	0.905	Valid and reliable
	DM2	0,907			
	DM3	0,830			
	DM4	0,839			
	DM5	0,905			
	DM6	0,709			
Organizational Trust	OT1	0,854	0.687	0.922	Valid and reliable
	OT2	0,831			
	OT3	0,639			
	OT4	0,915			
	OT5	0,905			
	OT6	0,812			
	OT7	0,826			
Employee Innovative Behavior	EIB1	0,908	0.775	0.941	Valid and reliable
	EIB2	0,922			
	EIB3	0,893			
	EIB4	0,907			
	EIB5	0,839			
	EIB6	0,780			
Employee Engagement	V1	0,908	0.590	0.953	Valid and reliable
	V2	0,922			
	V3	0,893			
	V4	0,907			
	V5	0,839			
	V6	0,780			
	D1	0,790			
	D2	0,884			
	D3	0,901			
	D4	0,898			
	D5	0,896			
	A1	0,524			
	A2	0,740			
	A3	0,760			
A4	0,771				
A5	0,800				
A6	0,727				

Source: processed data

### Validity and Reliability Testing

Based on the validity testing, the research instrument is valid because the loading factor value is  $> 0.5$  and the AVE value is also  $> 0.5$  for all constructs contained in the research model. Similarly, the results of the reliability testing show Cronbach's Alpha value  $> 0.60$  then the instrument is reliable to use.

### Structural Model Testing (Inner Model)

The results of testing the value of R Square for the construct of organizational trust is 0.518 which means that diversity management is able to explain the variance of organizational trust by 51.8%. The value of R square is also found in employee innovative behavior which is influenced by organizational trust and diversity management, which is 0.559 and employee engagement which is influenced by organizational trust and diversity management, which is 0.495.

### Hypothesis Testing

All hypotheses proposed in this study are supported. There is a positive and significant effect of diversity management on organizational trust with a coefficient value of 0.720, then H1 is supported. Diversity management has a positive and significant effect on employee innovative behavior with a coefficient value of 0.632. Thus, H2 is



supported. The coefficient value of the influence of diversity management on employee engagement is 0.547. For that, H3 is supported. Organizational trust has a positive and significant effect on employee innovative behavior with a coefficient value of 0.576. Therefore, H4 is supported. The coefficient value of the influence of organizational trust on employee engagement is 0.638. Thus, H5 is supported. Likewise, organizational trust mediates the effect of diversity management on employee innovative behavior with a coefficient value of 0.414. H6 is supported. Organizational trust mediates the effect of diversity management on employee engagement with a coefficient value of 0.459. H7 is supported.

**Table 3.** Hypothesis testing.

Hypothesis	Coefficient	P-values	Result
Diversity Management → Organizational Trust	0.720	0.000	H1 Supported
Diversity Management → Employee Innovative Behavior	0.632	0.000	H2 Supported
Diversity Management → employee Engagement	0.547	0,000	H3 Supported
Organizational Trust → Employee Innovative Behavior	0.576	0.000	H4 Supported
Organizational Trust → Employee Engagement	0.638	0.000	H5 Supported
Diversity Management → Organizational Trust → Employee Innovative Behavior	0.414	0.000	H6 Supported
Diversity Management → Organizational Trust → Employee Engagement	0.459	0.000	H7 Supported

**Source:** results of SEM data processing with SmartPLS software

## Discussion

Based on the results of statistical testing, diversity management has a positive and significant effect on organizational trust, which means that the higher the practice of diversity management, the higher the trust in the organization. If the organization recognizes the differences in each employee, respects, and treats employees fairly, regardless of background, age, gender, religion, political views, etc. then employees will feel valuable so that employees increasingly believe in the organization. These findings support the results of the study of Alshaabani et al. (2022) who have proven that diversity management has a positive impact on organizational trust.

There is an impact of diversity management on employee innovative behavior. This result indicates that the better the practice of diversity management in the organization, the higher the employee innovative behavior. Employees who feel treated fairly and objectively based on their performance and competence will totally dedicate themselves to the organization by coming up with creative ideas, techniques, and methods for the development of innovation within the organization. The findings of this study are in accordance with Ganji et al. (2021); Croitoru et al. (2022) who have confirmed that diversity management has a positive impact on employee innovative behavior.

There is a positive effect of diversity management on employee engagement, which means that the higher the practice of diversity management, the higher the employee's engagement with the organization. If there is an atmosphere of openness, acceptance of differences, and tolerance in the organization, employees will increasingly have a strong emotional connection and want to be bound to the organization. According to Bizri (2018), if the organization adopts diversity management practices effectively, employees will feel comfortable so that employees are willing to do more involved in work and organization. The results of this study support previous research conducted by Bizri (2018), Ganji et al. (2021), and Alshaabani et al. (2022) who found that diversity management has a positive effect on employee engagement.

The results of statistical tests on the effect of organizational trust on employee innovative behavior, which means that the higher the level of trust in the organization, the higher the motivation of employees to show innovative behavior. If there is an atmosphere of mutual trust in the organization, between leaders and employees and among employees, which is manifested in an attitude of fairness, mutual respect, appreciate, and support, especially in difficult times, it will promote innovative behavior in employees. According to Nešić et al. (2020), employees in organizations that have a high level of trust tend to be able to create innovative products and services at low costs. The results of this study strengthen the previous research conducted by Yu et al. (2018) and Lin and Shin (2021) who found that organizational trust has a positive effect on employee innovative behavior.

There is a positive effect of organizational trust on employee engagement, which means that the higher the organizational trust, the higher the employee engagement. Employees who receive fair treatment, appreciation, respect, and support from fellow employees and from leaders, will feel calm, comfortable, enthusiastic and focused at work and increasingly bound to the organization. The results of this study support previous research conducted by Baran and Sypniewska (2020), Nešić et al. (2020) and Alshaabani et al. (2022) who have proven that organizational trust has a positive effect on employee engagement.

Based on the results of statistical testing, organizational trust mediates the effect of diversity management on employee innovative behavior. The atmosphere of mutual trust between employees and leaders and among fellow



employees is an effective climate in the organization that supports fairness, respect, and appreciate for the rights and dignity of employees, which in turn fosters innovative attitudes and behavior in employees. According to Yu et al. (2018), organizations need to build long period connection with employees, that employees consider themselves as important members of the organization, and increase employee confidence in the organization so that it leads to employee innovative behavior.

Diversity management mediated by organizational trust has a positive effect on employee engagement. High trust among fellow employees and in leaders can eliminate discrimination; otherwise employees are treated fairly and objectively regardless of background, age, gender, religion, race, political views, etc. so that employees feel happy, excited, enthusiastic and increasingly involved in the organization. These results are in accordance with the research findings of Alshaabani et al. (2022) that organizational trust is a mediating variable between diversity management and employee engagement, because diversity management is an organizational policy in ensuring fairness, appreciate, and respect for employees. Organizational trust is an important factor that makes employees focus on job, feel apprehensive about the problems facing the workplace, and feel motivated and very attached to the organization.

## Conclusion

Based on the results of the research and discussion in the previous section, the conclusion that can be drawn is that diversity management has a positive and significant effect on organizational trust, employee innovative behavior, and employee engagement. Organizational trust has a positive and significant effect on employee innovative behavior and employee engagement. Organizational trust mediates the effect of diversity management on employee innovative behavior and employee engagement. Thus, it can be said that the practice of diversity management is very important for organizations today because it can promote trust in the organization, create employee innovative behavior, and strengthen employee engagement in the organization.

The findings of this study have both theoretical and practical implications. Theoretically, the research implications can enrich the literature on diversity management. This study also has practical implications especially for leaders, managers, and policy makers in organizations. Diversity is a wealth for organizations that need to be fostered, maintained, and jointly maintained by internal stakeholders. In order for diversity to continue to contribute positively to the success and competitive advantage of the organization, it is necessary to have a written policy and consistency in its implementation. Policies regarding the practice of diversity management must cover all functions in the organization, both managerial and operational. Therefore, the role of leaders and managers in the formulation of diversity management policies and practices is very important. Interaction and synergy among employees must be implemented based on deep understanding and integrity to achieve organization purposes. According to Nart et al. (2018), diversity management is closely related to the competencies and perceptions of leaders. Leaders who can implement diversity management effectively and successfully can create a conducive atmosphere in the organization where commitment, engagement, and high creativity will be achieved. Organizational leaders need to formulate policies as guidelines against discrimination to drive innovative, effective communication creativity, and confirm that employees are qualified to be hired, regardless of cultural and educational background, age, gender, ethnic group, work experience and so that goals are achieved and the organization has a competitive advantage over its competitors (Omotayo et al., 2020).

The respondents of this study were limited to a largest private bank in Jakarta, Indonesia, future research could involve more respondents from all major banks in Jakarta and even other private or public owned banks throughout Indonesia. Apart from banking, as a country with high diversity, research on diversity management in Indonesia still needs to be done in various fields such as health, education, multinational companies, and so on that have not been touched on much. Although sensitive, demographic characteristics variables such as age, gender, religion, ethnicity, and political preference can be considered for further study as moderating factors in the effect of diversity management with the same variables as this study or other variables such as employee job satisfaction and employee performance.

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