

From inclusion to engagement: The psychological safety role in mediating inclusive leadership and diversity initiatives in the Indonesian workplace

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Abstract

Purpose: This study explores how inclusive leadership and Diversity, Equity, and Inclusion (DEI) initiatives influence employee engagement and how psychological safety acts as a mediating factor.

Methodology/approach: This study used quantitative research methodology. Data were analyzed using SmartPLS 4.0 from a sample of 151 participants who participated in this study between August and October 2024 from private, government, and service organizations in Indonesia. The questionnaire used Likert scales to collect quantitative data on the constructs of interest, including inclusive leadership, DEI initiatives, psychological safety, and work engagement

Results/findings: The findings reveal that inclusive leadership and well-implemented DEI initiatives significantly enhance employee engagement, largely through the sense of psychological safety they foster. Employees who feel psychologically safe and confident in contributing ideas or expressing concerns without fear maintain higher levels of engagement in their work.

Conclusions: The findings of this study provide actionable insights for practitioners and policymakers, suggesting that fostering psychological safety through inclusive leadership and DEI initiatives can be a strategic approach to improving employee engagement.

Limitations: The study is limited by its reliance on self-reported data, a cross-sectional research design, and a focus on primarily service-related sectors in Indonesia, which restrict its generalizability. Future research should address these limitations by adopting longitudinal designs and exploring diverse industries and cultural settings to validate and extend these findings.

Contribution: This study provides a substantial addition to the extant literature on leadership, diversity and inclusion (DEI), and psychological safety by highlighting the intricate interactions between these concepts and their influence on employee motivation and performance. Companies are encouraged to implement inclusive leadership practices and DEI programs to nurture an organizational culture where employees feel confident in expressing their authentic opinions without fear of negative consequences.

Keywords: *DEI Initiatives, Inclusive Leadership, Organizational Culture, Psychological Safety, Work Engagement*

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1. Introduction

In the contemporary competitive landscape, the achievement of any organization is significantly influenced by its capability to develop a high-performing workforce, which can be achieved through the recruitment of skilled individuals and the maintenance of a supportive work environment that enhances motivation and fosters employee engagement. Employees who exhibit high levels of engagement are more likely to exert greater effort and are intrinsically motivated, thereby facilitating greater contributions to organizational success and overall productivity ([Bakker, 2011](#); [Hoxha & Ramadani, 2024](#); [Pincus, 2023](#)). When employees are engaged, they are more likely to perform innovative behaviors and effectively manage job demands using adaptive coping strategies ([Kwon & Kim, 2020](#)).

In organizational psychology, the concepts of work engagement are reflected through three core dimensions: vigor, dedication, and absorption, which contribute to enhanced job performance and to employees' overall well-being ([Bakker, 2011](#)). The job demands–resources (JD-R) model provides a useful way to understand this dynamic. This highlights how access to organizational resources, such as strong leadership, can significantly boost motivation and drive ([Schaufeli & Bakker, 2004](#)). The efficacy of leadership is not merely contingent upon the attainment of objectives or the fulfillment of organizational aims; it is imperative to foster an environment conducive to employee flourishing. Leaders who invest in their teams' growth offer more than just professional support; they foster personal development and help employees reach their full potential ([Brauchli, Jenny, Füllemann, & Bauer, 2015](#)). Leadership styles such as transformational and authentic play a critical role in fostering a supportive environment, enhancing personal resources, and promoting employee engagement ([Kato, Chiba, Shimazu, Hayashi, & Sakamoto, 2023](#)).

Considering Indonesia's culturally and ethnically diverse workplace landscape, developing a supportive and inclusive work environment plays a crucial role in enhancing employee engagement. Organizations contend with balancing traditional hierarchical structures and collectivist values while fostering inclusivity and equity. DEI initiatives are instrumental in fostering diverse perspectives, establishing equitable workplaces, and driving workforce motivation and productivity ([Hashemi Toroghi, Denney, & Simpson, 2024](#)) ([Hashemi Toroghi et al., 2024](#); [Shore et al., 2011](#)). Research highlights that organizations with strong DEI programs benefit from higher creativity, a more cohesive culture, and improved financial performance, which is especially critical in diverse settings such as Indonesia ([Amir, Ali, Ali, & Ali, 2022](#)). Psychological safety, in which individuals feel safe to take risks without fear of negative repercussions. ([A. C. Edmondson & Bransby, 2023](#)), encourages open expression, empathy, and innovation, ultimately enhancing organizational outcomes ([Kato et al., 2023](#); [Newman, Donohue, & Eva, 2017](#)).

Although research on inclusive leadership, DEI initiatives, work engagement, and psychological safety continues to grow, how these elements interact to shape employee experiences, especially in Indonesian organizations, remains elusive. Previous studies have often focused on these factors in isolation without fully exploring their combined effects or the pathways through which they affect employees ([Carmeli, Reiter-Palmon, & Ziv, 2010](#); [Lee & Seo, 2024](#); [Niswaty, Wirawan, Akib, Saggaf, & Daraba, 2021](#); [Rahmadani & Schaufeli, 2022](#)). This study aims to fill these knowledge gaps by exploring how a combination of DEI efforts and inclusive leadership can promote psychological safety and improve employee engagement at work in Indonesia. This is particularly important given the unique cultural and organizational dynamics in Indonesian workplaces, which in turn influences employees' perceptions of leadership and DEI programs.

2. Literature review

2.1. Inclusive Leadership

A profound characteristic of inclusive leadership is the promotion of empowerment and value for all employees. This leadership style recognizes each team member's unique contributions and fosters diversity ([Gupta, Kuknor, & Sharma, 2024](#); [Nembhard & Edmondson, 2006](#)). By prioritizing equity, respect, and empowerment of all individuals, inclusive leaders enhance team performance and foster innovation ([Helgesen, 2021](#); [Q. Roberson & Perry, 2022](#)). In contrast to transformational leadership, which strives to catalyze exceptional outcomes, inclusive leadership emphasizes cultivating an equitable atmosphere wherein each voice is recognized and valorized ([Helgesen, 2021](#)). Inclusive leadership is characterized by the creation of an environment that fosters participation, values diversity, and acknowledges individual contributions ([Kwon & Kim, 2020](#)). By creating environments that recognize individual contributions, value diversity, and encourage participation, inclusive leadership advances a sense of belonging and relatedness among employees. These behaviors, characterized by fairness and respect for diverse perspectives, have been shown to significantly boost employee engagement ([Cohen, 2023](#)).

Research has supported the significant effect of inclusive leadership on employee work engagement, both directly and indirectly or as a moderating factor ([Hossain, Khatun, & Shanjabin, 2023](#)). The behaviors of inclusive leaders, who treat team members fairly and value different voices, have been demonstrated to directly increase employee engagement by fostering perceived relatedness and belonging among employees ([Cohen, 2023](#)). Further, in the educational context, research has found that fostering a safe, supportive, and engaging work environment maintains institutional sustainability and faculty retention ([Camlian & Baron, 2025](#)).

It is imperative to acknowledge the significance of psychological safety, an environment in which employees feel secure in articulating themselves without fear of undesirable consequences. It serves as a notable mechanism of how work engagement is impacted by inclusive leadership ([A. Edmondson, 1999](#)). Research underscores that psychological safety cultivated by inclusive leaders enhances collaboration, open communication, and innovation within teams ([Carmeli et al., 2010](#); [Nembhard & Edmondson, 2006](#)). Leaders who demonstrate gratitude and approachability contribute to a workplace atmosphere that fosters teamwork and mutual respect, which, in turn, positively influences employee engagement ([Carmeli et al., 2010](#); [Shore et al., 2011](#)). Inclusive leadership improves group dynamics by creating a psychologically safe workplace as leaders empower their teams by fostering openness, accessibility, and appreciation, leading to improved performance ([Carmeli et al., 2010](#)). [Vakira, Shereni, Ncube, and Ndlovu \(2023\)](#) found that psychological safety mediated the influence of inclusive leadership on employee engagement.

H1: Inclusive leadership affects employee work engagement

H2: Inclusive leadership affects psychological Safety

H3: Inclusive leadership affects employee work engagement, mediated by psychological safety.

2.2. Diversity, Equity, and Inclusion Initiatives

Diversity, Equity, and Inclusion (DEI) initiatives are human resource strategies applied by organizations to create work environments that appreciate diverse backgrounds and guarantee fair opportunities for everyone ([Nittrouer, Arena Jr, Silver, Avery, & Hebl, 2025](#)). In a country as culturally and ethnically rich as Indonesia, it is necessary for organizations to concern themselves with diversity and inclusion strategies to be able to grow. They are meant to facilitate fair outcomes and a sense of belonging through support for various backgrounds. Social Identity Theory has highlighted this issue by drawing the ratio between self-esteem and belongingness to social groups, as proposed by ([Turner & Tajfel, 1986](#)).

Organizations can bring DEI initiatives to life through targeted strategies, such as recruitment strategies to increase workforce diversity, training programs aimed at raising awareness of the importance of valuing diversity, and policies that encourage fair treatment ([Okatta, Ajayi, & Olawale, 2024](#)). Beyond legal compliance and reputation benefits ([Purwoko, 2024](#)), these initiatives transform organizational

culture, boost employee morale, and spark innovation ([Q. M. Roberson, 2019](#)), enhanced job satisfaction and engagement ([Okatta et al., 2024](#); [Shore et al., 2011](#)).

DEI initiatives positively affect organizations by creating an inclusive atmosphere, enhancing the retention of diverse talent, and promoting innovative thinking. Research has shown a positive correlation between a company's workforce diversity and profitability and innovation. Effective DEI practices enhance organizational performance because diverse teams are more proficient at resolving intricate issues, propelling innovation ([Okatta et al., 2024](#)), and improving team dynamics and employee work engagement ([Karmarkar, 2024](#)). In addition, diversity management has been shown to directly impact employee engagement by fostering an inclusive environment that respects and values differences ([Elamin, Aldabbas, & Ahmed, 2024](#)). An individual's level of engagement at work is influenced by their perception of a sense of affiliation and commitment to the company's objectives ([Shore et al., 2011](#)).

Beyond legal compliance and reputation benefits ([Purwoko, 2024](#)), these initiatives transform organizational culture, boost employee morale, and spark innovation ([Q. M. Roberson, 2019](#)), enhance performance and engagement ([Roy, 2022](#)). Such an organizational climate permits employees to feel peaceful in expressing their identities and ideas. Psychological safety is especially critical for minority employees as it has been demonstrated to enhance their performance behaviors and engagement ([Singh & James, 2016](#)).

H4: DEI initiatives affect employees' work engagement.

H5: DEI Initiatives affect psychological safety.

H6: DEI initiatives affect employee work engagement, mediated by psychological safety.

2.3. Psychological Safety

Psychological safety is defined as the collective conviction that the group has confidence in risky interpersonal behavior, where members may freely express their ideas, opinions, and problems without worrying about repercussions ([A. Edmondson, 1999](#)). Psychological safety is a critical element that promotes cooperation, teamwork, and overall organizational performance; its significance in the workplace cannot be overstated ([Kahn, 1990](#)). In an organization that maintains psychological safety, employees are enabled to express their opinions, share ideas, and accept responsibility for their mistakes without fear of negative consequences, in turn leading to more engagement in quality improvement work ([Nembhard & Edmondson, 2006](#)). This environment not only fosters creativity but also significantly increases work engagement because employees feel secure in their roles and are more likely to take the initiative ([Ly, 2024](#)).

The literature has repeatedly shown the connection between psychological safety and work engagement. Psychological safety has been recognized as a crucial antecedent of work engagement, as it fosters an inclusive environment in which individuals feel comfortable articulating their perspectives and undertaking risks ([A. C. Edmondson & Bransby, 2023](#)). Employees who perceive their workplace as psychologically secure have been shown to exhibit increased engagement in their professional responsibilities, demonstrate higher levels of commitment to their duties, and exhibit enhanced team interactions ([Creon & Schermuly, 2024](#)). Research has demonstrated that psychological safety facilitates the association between various leadership philosophies and work engagement ([Ly, 2024](#); [Rabiul, Karatepe, Al Karim, & Panha, 2023](#)). When employees perceive psychological safety, they exhibit the characteristics of engagement, which subsequently enhances their overall performance ([Quansah, Zhu, & Guo, 2023](#)). In a longitudinal study, psychological safety consistently predicts higher engagement levels over time ([Juutinen, Sjöblom, Dollard, & Mäkikangas, 2023](#)).

H7: Psychological Safety affects employee work engagement

2.4. Work Engagement

[Schaufeli and Bakker \(2004\)](#) define work engagement as the level of enthusiasm and dedication an employee shows towards their work, characterized by vigor, dedication, and absorption in tasks. This psychological state not only enhances individual performance but also contributes to a positive workplace culture, fostering collaboration and innovation among team members. Three fundamental aspects of work engagement are highlighted in this definition. The vigor component refers to having a lot of vitality and mental fortitude while

working. Those involved in their work have a drive to work hard and persevere through challenges ([Bakker, 2011](#)). b. Dedication refers to a deep feeling of purpose, passion, motivation, pride, and challenge in one's profession. Devoted workers are inspired to contribute to company objectives and believe their job has a purpose ([Schaufeli, 2013](#)) c. Absorption is defined as a state in which an individual is so engrossed in a designated task that their perception of time is significantly distorted, making it challenging to disengage from the activity despite its seemingly prolonged duration. Because of their intense commitment, engaged workers frequently lose sight of their time while working ([Kabalina & Makarova, 2022](#); [Schaufeli, 2013](#)). Together, these dimensions contribute to an employee's overall engagement level, influencing their performance and well-being in the workplace.

According to the JD-R theory formulated by [Bakker and Demerouti \(2008\)](#), the dynamics of job demands, personal resources, and existing organizational culture substantially dictate the association between work engagement and overall well-being. Empirical evidence indicates that employees are inclined to express elevated levels of attachment when they perceive their roles as advantageous to the organization ([Singh & James, 2016](#)). The conclusions drawn from this analysis bolster the key aspects of the Job Demands-Resources (JD-R) framework, indicating that resources linked to an individual's work, such as freedom, feedback on performance, and assistance from coworkers, are necessary for nurturing both engagement and enthusiasm. These resources empower employees to effectively navigate the demands associated with their roles, resulting in higher engagement.

In addition to job-related factors, personal-related resources such as resilience, optimism, and self-efficacy also determine work engagement. As proposed by [Singh and James \(2016\)](#) and [Xanthopoulou, Bakker, Demerouti, and Schaufeli \(2007\)](#), employees who demonstrate elevated levels of self-efficacy tend to exhibit a greater propensity to remain committed to their occupations and navigate challenges effectively. Empirical evidence indicates that personal resources can amplify the impact of occupational resources on work engagement, thereby establishing synergistic interplay ([Christian, Garza, & Slaughter, 2011](#)). An organizational culture that fosters collaboration and esteems diversity has been correlated with enhanced levels of work engagement ([Okatta et al., 2024](#)). By fostering an environment in which employees perceive themselves as valued and motivated to engage, a constructive culture that emphasizes trust, support, and recognition can enhance work engagement ([van Tuin, Schaufeli, Van den Broeck, & van Rhenen, 2020](#)). Research indicates that organizations characterized by robust, supportive cultures tend to cultivate higher levels of employee engagement, as these environments foster a perception of belonging concerning both the organization and the respective roles of its employees ([Singh & James, 2016](#)).

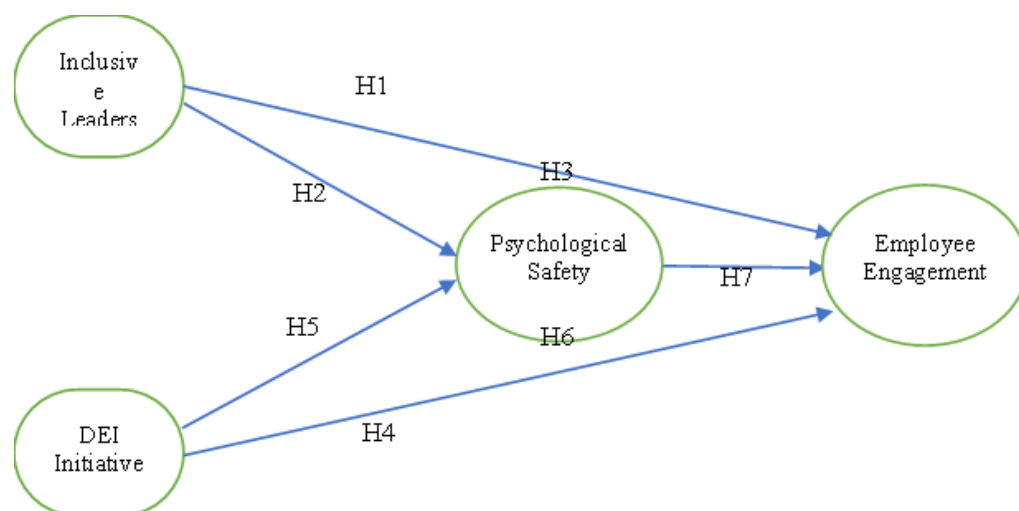


Figure 1. Proposed Theoretical Model

3. Methodology

A quantitative research methodology was employed in this study to explore the established correlations among work engagement, psychological safety, diversity, equity, and inclusion (DEI) initiatives, and inclusive

leadership among employees in various Indonesian organizations. The quantitative method is appropriate for this investigation as it enables the gathering of numerical data that can be subjected to statistical analysis to discern patterns, relationships, and causal inferences ([Creswell, 2014](#)). This framework supports the examination of hypotheses related to the effect of inclusive leadership and DEI initiatives on psychological safety and work engagement.

The data were collected using a Google form distributed through the communication network of each company/organization. A total of 151 employees from various levels of organizational management participated in this research from August to October 2024. A structurally designed questionnaire was developed to collect quantitative data on constructs of interest, including inclusive leadership, DEI initiatives, psychological safety, and work engagement. The instrument for Inclusive Leadership consists of six indicators, the DEI Initiatives Questionnaire consists of eight indicators, the Psychological Safety Questionnaire consists of eight indicators, and the Work Engagement Scale consists of nine indicators adapted from [Bakker and Demerouti \(2008\)](#) and [Schaufeli and Bakker \(2004\)](#). The dataset was then examined using PLS-SEM to analyze the relationships among independent and dependent variables, incorporating the mediating effects of psychological safety. This analysis was conducted using SmartPLS Version 4.0

4. Results and discussions

4.1. Descriptive Statistics:

Table 1. Descriptive Statistics

Organization	Private	86	56.95%	
	Government	38	25.17%	
	Government Owned Company	23	15.23%	
	Others	4	2.65%	151
Business	Manufacture	25	16.56%	
	Services (Trading, Education, other)	126	83.44%	
	Agriculture	0		
	Mining	0		151
Gender	Male	70	46.36%	
	Female	81	53.64%	151
Tenure	1 year or less	27	17.88%	
	>1 - 3 Years	59	39.07%	
	>3 - 5 years	60	39.74%	
	more than 5 years	5	3.31%	151
Education	Junior High School or below	5	3.31%	
	Senior High School graduate	35	23.18%	
	D3 or equivalent	18	11.92%	
	S1 or equivalent	46	30.46%	
	Postgraduates (S2 or S3)	47	31.13%	151

The data represent 151 respondents, mostly employed in the private sector (56.95%) and mainly in the service sector (83.44%). Manufacturing accounts for 16.56%, and there is no representation from the agriculture or mining sectors. The gender distribution was almost balanced, with 53.64% of respondents being female and 46.36% male. Most respondents had one to five years of work experience (78.81%), while 3.31% had been in their role for over five years, and the rest had less than one year of experience. The respondents demonstrated a high level of educational attainment, with 61.59% holding undergraduate or postgraduate degrees. In comparison, few participants were high school graduates or diploma holders. This distribution illustrates a diverse, service-oriented, and highly educated workforce of early to-mid-career professionals.

4.2. Outer Model Assessment

a) Reflective Construct Assessment

Table 2 illustrates the internal reliability of the variables associated with inclusive leadership, DEI initiatives, psychological safety, and work engagement. The outer loading indicator assesses the

intensity of the relationship between the latent and observed constructs. The outer loading indicators exceeded the recommended value of 0.70, thereby confirming convergent validity. This finding is further validated by the average variance extracted (AVE) values for the underlying constructs, which range from 0.650 to 0.694. These values exceeded the recommended threshold, thereby confirming sufficient convergent validity. The values of Cronbach's alpha and composite reliability exceeded 0.90, indicating excellent internal consistency. Values exceeding 0.70 are considered reliable and significant, suggesting that the items accurately assess constructs ([Sarstedt, Ringle, & Hair, 2017](#)). Based on these findings, it can be concluded that the items employed to measure the construct are valid and reliable. Consequently, the measurement model can be employed with confidence in the subsequent analyses.

Table 2. Results of the reflective construct assessments

Construct	Indicators	Factors Loading	α	CR	AVE
Inclusive Leadership	IL_a1	0.770	0.911	0.914	0.694
	IL_a2	0.854			
	IL_ac1	0.859			
	IL_ac2	0.811			
	IL_o1	0.796			
	IL_o2	0.901			
Diversity, Equity and Inclusion	DEI_Tr	0.740	0.922	0.937	0.650
	DEI_fl	0.737			
	DEI_f2	0.802			
	DEI_ic1	0.787			
	DEI_ic2	0.880			
	DEI_oc	0.767			
	DEI_rd1	0.846			
	DEI_rd2	0.879			
Psychological Safety	PS_ce1	0.781	0.927	0.940	0.663
	PS_ce2	0.819			
	PS_lg1	0.854			
	PS_lg2	0.855			
	PS_mr1	0.741			
	PS_mr2	0.809			
	PS_tr1	0.829			
	PS_tr2	0.819			
Work Engagement	EE_Ab-1	0.826	0.923	0.938	0.685
	EE_De-1	0.860			
	EE_De-2	0.822			
	EE_De-3	0.735			
	EE_Vi-1	0.874			
	EE_Vi-2	0.844			
	EE_Vi-3	0.825			

b) Discriminant Validity

According to [Joe F. Hair, Howard, and Nitzl \(2020\)](#), discriminant validity is defined as the level to which a construct is distinctly different from related constructs. This study employs two approaches to ascertain discriminant validity, namely the HTMT ratio and the Fornell-Larcker criterion. The HTMT ratio assesses discriminant validity by evaluating the relationships between constructs. The common threshold was 0.85, as proposed by [Henseler, Ringle, and Sarstedt \(2015\)](#). The Fornell-Larcker criterion is a statistical method used to evaluate the validity of a model's constructs. This criterion compares the average variance extension (AVE) of each variable with its correlated constructs in a model. Discriminant validity is established when the AVE value of a construct exceeds that of other related constructs ([Fornell & Larcker, 1981](#)).

Tables (3 and 4) indicate that all HTMT values are below 0.85, and the AVE for every construct exceeds its corresponding correlation with other constructs. The model's constructs are distinct and non-redundant, thus enhancing reliability and validity (Joseph F. Hair, Black, Babin, & Anderson, 2019; Henseler et al., 2015). The cross-loading analysis (see table 5) demonstrates that each indicator loads the highest on its respective construct, thereby reinforcing the discriminant validity of the model.

Table 3. Discriminant Validity (Heterotrait-Monotrait Ratios - HTMT)

	DEI	EE	IL	PS
DEI				
EE	0.758			
IL	0.787	0.761		
PS	0.822	0.782	0.796	

Table 4. Discriminant Validity (Fornell-Larcker Criterion)

	DEI	EE	IL	PS
DEI	0.806			
EE	0.704	0.828		
IL	0.724	0.701	0.833	
PS	0.762	0.724	0.735	0.814

Table 5. Discriminant Validity - Cross Loading

	DEI	EE	IL	PS
DEI_Tr	0.740	0.620	0.481	0.545
DEI_fl	0.737	0.403	0.563	0.649
DEI_f2	0.802	0.506	0.610	0.587
DEI_ic1	0.787	0.555	0.617	0.555
DEI_ic2	0.880	0.603	0.620	0.605
DEI_oc1	0.767	0.601	0.607	0.682
DEI_rd1	0.846	0.583	0.591	0.652
DEI_rd2	0.879	0.638	0.581	0.629
EE_Ab1	0.541	0.826	0.609	0.603
EE_De1	0.641	0.860	0.573	0.597
EE_De2	0.645	0.822	0.549	0.618
EE_De3	0.548	0.735	0.522	0.585
EE_Vi1	0.617	0.874	0.654	0.637
EE_Vi2	0.562	0.844	0.587	0.576
EE_Vi3	0.511	0.825	0.561	0.575
IL_a1	0.511	0.572	0.770	0.512
IL_a2	0.734	0.683	0.854	0.635
IL_ac1	0.530	0.499	0.859	0.641
IL_ac2	0.595	0.515	0.811	0.640
IL_o1	0.594	0.609	0.796	0.626
IL_o2	0.630	0.608	0.901	0.611
PS_ce1	0.672	0.558	0.600	0.781
PS_ce2	0.650	0.606	0.661	0.819
PS_lg1	0.652	0.618	0.722	0.854
PS_lg2	0.634	0.613	0.554	0.855
PS_mr1	0.552	0.590	0.523	0.741
PS_mr2	0.615	0.645	0.537	0.809
PS_tr1	0.615	0.529	0.637	0.829
PS_tr2	0.559	0.548	0.534	0.819

4.3. Inner Model Assessment

The analysis of the inner model is crucial for ensuring the robustness and reliability of a structural model. [J.F. Hair, Hult, Ringle, and Sarstedt \(2017\)](#) define this process as evaluating the measurement and structural relationships between latent variables. Similarly, [Ringle, Marko, Rebecca, and and Gudergan \(2020\)](#) emphasize that inner model analysis focuses on examining the connections among latent variables within the structural framework. In this study, SEM-PLS was employed to test the hypothesized relationships among inclusive leadership, DEI initiatives, psychological safety, and work engagement. This approach generates estimates of direct and indirect effects, enabling a thorough evaluation of potential mediation effects.

a) PLS Inner Model Assumptions (VIF)

A multicollinearity analysis depicted in table 6, using the Variance Inflation Factor (VIF), indicates that the VIF values for the indicators fall within safe limits, with values ranging from 1,958 to 4,312. These values show that there is no major multicollinearity between the independent variables ([Kock, 2015](#)).

Table 6. Collinearity Statistics

	VIF
DEI_Tr	2.205
DEI_f1	2.546
DEI_f2	2.548
DEI_ic1	2.303
DEI_ic2	4.312
DEI_oc1	2.290
DEI_rd1	3.564
DEI_rd2	3.799
EE_Ab1	2.762
EE_De1	3.002
EE_De2	2.498
EE_De3	1.958
EE_Vi1	3.683
EE_Vi2	3.354
EE_Vi3	2.693
IL_a1	2.128
IL_a2	2.660
IL_ac1	2.934
IL_ac2	2.294
IL_o1	2.080
IL_o2	3.940
PS_ce1	2.455
PS_ce2	2.660
PS_lg1	3.329
PS_lg2	3.179
PS_mr1	2.061
PS_mr2	2.662
PS_tr1	2.899
PS_tr2	2.582

b) R-square

As illustrated in table 7, the R-squared value was computed to evaluate the capacity of the model to explain the variability in the dependent variable. The findings revealed an R-squared value of 0.610 for work engagement, signifying that 61% of the variance can be attributed to this model. A similar outcome was observed for the R-squared value of psychological safety, which was 0.651, suggesting a satisfactory level of explanation in the research model.

Table 7. R² of the Endogenous Latent Variables

	R-square	R-square adjusted
Employee Engagement	0.610	0.602
Psychological Safety	0.651	0.647

c) Path Coefficient

As shown in Table 4.8, inclusive leadership (IL) has a significant impact on psychological safety ($\beta = 0.386$; $p < 0.001$) and employee engagement ($\beta = 0.277$; $p = 0.006$). The DEI initiative also had a significant impact on psychological safety ($\beta = 0.483$; $p < 0.000$) and employee engagement ($\beta = 0.257$; $p = 0.014$). Furthermore, psychological safety (PS) significantly affects employee engagement.

Table 8. Path Coefficients and Hypothesis

Hypothesis Path	Effect	Std Beta (β)	T statistics	P-values	Result
H1 Inclusive Leadership-> Empl. Engagement	Direct	0.277	2.733	0.006	Supported
H2 Inclusive Leadership-> Psychological Safety	Direct	0.386	6.231	0.000	Supported
H3 Inclusive Leadership-> Psy. Safety ->Empl. Engagement	Indirect	0.158	2.331	0.020	Supported
H4 DEI Initiatives -> Empl. Engagement	Direct	0.254	2.448	0.014	Supported
H5 DEI Initiatives -> Psychological Safety	Direct	0.483	7.049	0.000	Supported
H6 DEI Initiatives -> Psy. Safety ->Empl. Engagement	Indirect	0.126	2.331	0.020	Supported
H7 Psychological Safety -> Empl. Engagement	Direct	0.327	2.497	0.013	Supported

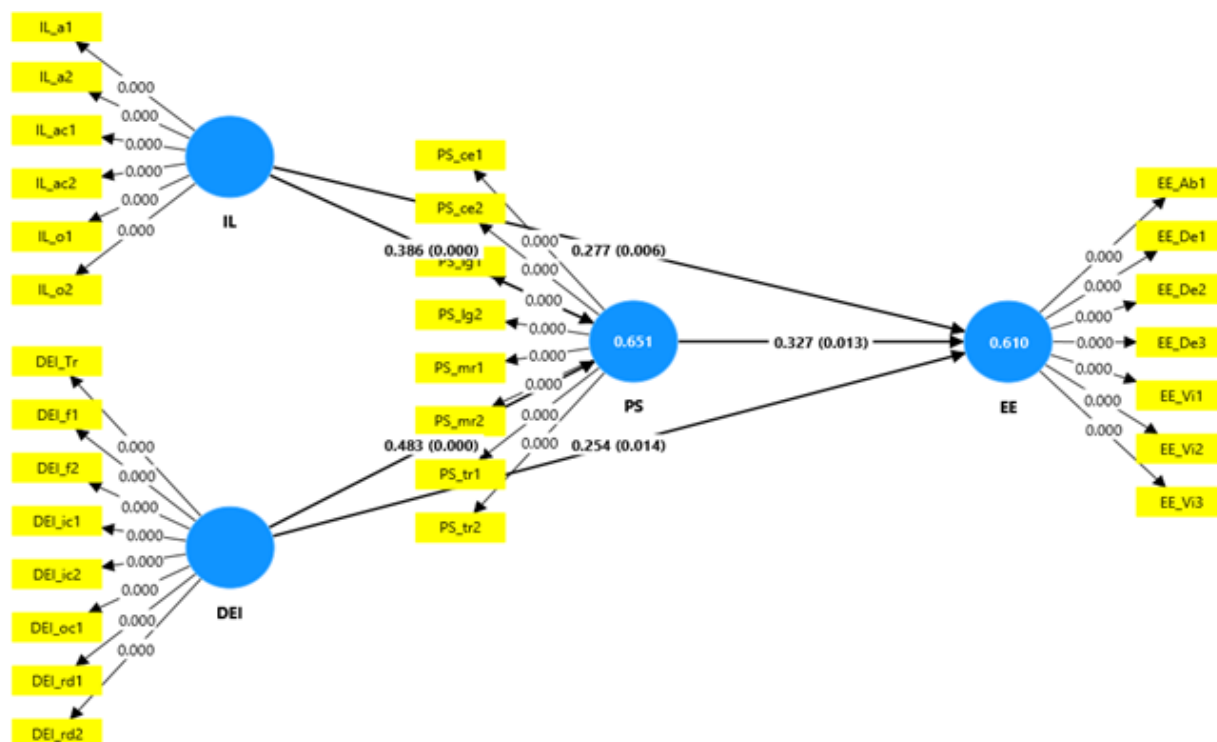


Figure 2. Path coefficients and p-value of the Structural Model

As illustrated in table 8, the indirect effects of the variables of diversity, equity, and inclusion (DEI) initiatives and inclusive leadership (IL) on employee engagement (EE) are mediated by psychological safety (PS). DEI's indirect effect on EE through PS has a standard beta (β) value of 0.158, T-stat of 2.331, and P-value of 0.020. The P-value is < 0.05 , showing a mediating influence and indicating that psychological safety operates as a function of the correlation between DEI and EE. The indirect effect of IL on EE through PS has a standard beta (β) value of 0.126, a T-statistic of 2.331, and a P-value of 0.020. Conversely, a P-value of less than 0.05 signifies a confirmed correlation of inclusive leadership and employee engagement, which is significantly facilitated by psychological safety.

d) Predictive Relevance

Table 9 shows that both EE and PS have Q^2 values above 0, demonstrating that the model has predictive relevance for these endogenous variables. The Q^2 for PS is 0.419, and for EE is 0.406, indicating that the model explains approximately 41.9% of the variance in Psychological Safety (PS), and 40.6% of the variance in Employee Engagement (EE).

Table 9. Construct Cross-Validated Redundancy (Q^2)

	SSO	SSE	$Q^2 (=1-SSE/SSO)$
DEI	1208.000	1208.000	0.000
EE	1057.000	628.213	0.406
IL	906.000	906.000	0.000
PS	1208.000	701.662	0.419

e) Goodness of Fit

The goodness of fit analysis in table 10 demonstrates that the resulting model meets the requisite criteria. The Standardized Root Mean Square Residual or SRMR for the model reaches 0.071, which is below the cutoff of 0.08, indicating that the model is an adequate predictor of the data.

Table 10. Model fits

	Saturated model	Estimated model
SRMR	0.071	0.071
d_ULS	2.167	2.167
d_G	1.789	1.789
Chi-square	1262.991	1262.991
NFI	0.711	0.711

4.4. Discussion

This study examined the interplay between inclusive leadership, DEI initiatives, and work engagement, with psychological safety as a mediating variable. The findings, supported by the SmartPLS analysis, were contextualized within a diverse sample of 151 respondents representing various organizations and demographic profiles. The respondents were predominantly from private organizations (56.95%), with notable representation from the government sector (25.17%). Most participants were in the early to mid-stages of their careers, having worked in their organizations for one to five years, offering valuable perspectives on the interplay between professional growth and workplace practices. Educationally, the sample was well rounded, with nearly one-third holding bachelor's degrees (30.46%) and another third possessing advanced postgraduate qualifications (31.13%). This group, which is highly educated and attuned to organizational dynamics, emphasizes the significance of leadership and DEI programmes in cultivating engagement and motivation among skilled professionals.

These findings support Hypothesis 1, which confirms that inclusive leadership positively affects employee work engagement ($\beta = 0.277$, $p = 0.006$). The promotion of an environment built on open communication, trust, and recognition practiced by inclusive leaders has been shown to encourage employees to actively engage in their roles. These findings align with prior studies showing that such leadership is crucial for motivating employees across diverse organizational settings, particularly in service-oriented industries ([Carmeli et al., 2010](#); [Siyal, 2023](#)). This result echoes the findings of [Nembhard and Edmondson \(2006\)](#), [Gupta et al. \(2024\)](#), and [Q. Roberson and Perry \(2022\)](#) who highlight that inclusive leadership promotes empowerment, equity, and mutual respect while celebrating diverse contributions. By treating team members fairly and valuing their diverse perspectives, leaders can directly enhance employee engagement ([Cohen, 2023](#)). Ultimately, inclusive leadership does more than acknowledge individuality; it cultivates a workplace where everyone feels valued, appreciated, and truly connected.

This study supports Hypothesis 2 ($\beta = 0.386$, $p = 0.000$), showing that inclusive leadership plays a key role in boosting psychological safety. This highlights how inclusive leaders help create workplaces where team members feel secure, share their thoughts without fear, and feel respected and appreciated ([Carmeli et al., 2010](#); [Nembhard & Edmondson, 2006](#)). By cultivating an atmosphere of respect and appreciation, inclusive leaders empower employees to feel valued and unafraid to freely express their thoughts, ideas, and concerns. This finding aligns with observations by [Khattak et al. \(2022\)](#), who underscored the role of inclusive leaders in reducing workplace anxiety and promoting collaboration through psychological safety, particularly in diverse and multicultural contexts such as Indonesia. Inclusive leaders effectively manage diverse teams by fostering an open communication environment and the adoption of risk-taking behaviors, which are pivotal for team development and success.

This result supports Hypothesis 3, indicating that psychological safety serves as an important mechanism that connects inclusive leadership with employees' work engagement ($\beta = 0.126$, $p = 0.020$). When leaders foster a climate of trust and openness, they motivate collaboration, ignite innovation, and increase employee engagement, which also assists in having employees invest more in their work ([Carmeli et al., 2010](#); [Nembhard & Edmondson, 2006](#)). This observation is consistent with the work of [A. Edmondson \(1999\)](#) and subsequent researchers who found that psychological safety liberates employees to voice their thoughts free of fear or reluctance. The results further highlight the concept of inclusive leadership in driving a highly engaged and innovative workforce, which is increasingly

relevant owing to a service-oriented workforce where innovation and collaboration are critical ([A. C. Edmondson & Bransby, 2023](#)).

Psychological safety acts as a mediator and clarifies how inclusive leadership produces more employees ([Carmeli et al., 2010](#)). [Hofhuis, Van Der Rijt, and Vlug \(2016\)](#), as informed by [Carmeli et al. \(2010\)](#), demonstrate that when leaders show appreciation, are vulnerable, and accessible, this results in a psychologically safe environment. This provides for increased safety that welcomes higher involvement and eventually all-around achievement for the group. The findings of [Vakira et al. \(2023\)](#) also support this mechanism by showing that there is a significant mediation of psychological safety between the relationship of inclusive leadership and engagement.

These findings confirm Hypothesis 4, which demonstrates that DEI initiatives have a meaningful impact on employee work engagement ($\beta = 0.254$, $p = 0.014$). This result reinforces the idea that DEI efforts are essential for fostering engaged and committed teams. Consistent with prior studies by [Nitttrouer et al. \(2025\)](#) and [Q. M. Roberson \(2019\)](#), these initiatives play a vital role in building inclusive workplace cultures where employees feel respected, supported, and valued. When employees perceive their organization as truly inclusive, they are more likely to channel their energy and commitment into their work. Moreover, studies linking diversity to greater innovation and profitability ([Hunt, Layton, & Prince, 2015](#)) have revealed that the benefits of DEI initiatives extend far beyond engagement. These efforts not only inspire innovative thinking and improve problem solving but also strengthen team dynamics ([Karmarkar, 2024](#)).

DEI efforts are particularly influential in the private and service-driven sectors, where embracing diversity, equity, and inclusion enhances team collaboration, sparks creativity, and boosts overall employee satisfaction ([Q. M. Roberson, 2019](#); [Shore et al., 2011](#)). In culturally rich settings, such as Indonesia, their impact becomes even more pronounced, as organizations often need to navigate intricate social and cultural dynamics. Strategies such as equitable hiring practices, awareness-focused training, and fair workplace policies foster environments in which employees from all backgrounds can thrive and feel a genuine sense of belonging. As [Shore et al. \(2011\)](#) noted, this sense of being valued and aligned with organizational goals directly contributes to greater engagement.

This study supports Hypothesis 5, which indicates a robust correlation between DEI initiatives and psychological safety ($H5: \beta = 0.483$, $p = 0.000$). This finding is consistent with the extant literature, which emphasizes the vital impact of DEI practices in developing workplace environments where employees feel secure, respected, and valued ([A. Edmondson, 1999](#)). Employees who see their organization fostering inclusivity are more likely to feel that their voices are heard, contributing to a sense of security. This aligns with [Hunt et al. \(2015\)](#), who found that inclusive practices enhance team cohesion and reduce tension.

A psychologically safe environment, as argued by [Singh and James \(2016\)](#), is particularly important for minority or marginalized employees, as it helps alleviate fears of judgment or exclusion based on their identity. [Shore et al. \(2011\)](#) found that inclusive organizational cultures enhance psychological safety by fostering authenticity and mitigating the perceived risks associated with self-expression. Organizations that prioritize DEI strategies are conducive to fostering an environment in which psychological safety can flourish by establishing organizational norms and policies that foster fairness and equity and reduce biases and discrimination. As noted by [Nitttrouer et al. \(2025\)](#), employees in inclusive workplaces are more likely to believe they are empowered to express ideas and concerns, knowing that their input will be respected. DEI initiatives promote open communication and dialogue regarding diversity and inclusion, which fosters psychological safety. Organizations that facilitate discussions about identity help normalize conversations that might otherwise be avoided because of fear of conflict or discomfort. Such communication and dialogue foster mutual understanding and build trust among team members ([Carmeli et al., 2010](#)).

This study also supports Hypothesis 6, with psychological safety mediating the relationship between DEI initiatives and work engagement ($\hat{I}^2 = 0.158$, $p = 0.020$). This means that the mediating role of

psychological safety is particularly important in the relationship between DEI initiatives and employee work engagement. A psychologically safe environment allows employees to fully immerse themselves in their work, as suggested by Social Identity Theory ([Turner & Tajfel, 1986](#)). Furthermore, the need for psychological safety is particularly significant for minority employees, who may face additional hurdles in feeling included ([Singh & James, 2016](#)). By addressing these challenges through DEI efforts, organizations empower these employees, increasing their commitment and engagement. As suggested by [Shore et al. \(2011\)](#), engagement is closely tied to an employee's sense of connection and alignment with organizational goals.

Finally, Hypothesis 7 was validated, as psychological safety directly affects work engagement ($\beta = 0.327, p = 0.013$). [A. Edmondson \(1999\)](#) described psychological safety as the confidence that one will not be penalized or humiliated for speaking up with ideas, questions, concerns, or mistakes. When employees feel appreciated and safe, they are more likely to take initiative and go the extra mile in their work, which is essential for long-term performance and morale ([Kahn, 1990](#); [Ly, 2024](#)). This concept is useful for studying work engagement. When employees feel safe in executing their duties, they are more likely to emotionally and cognitively engage with their tasks, ultimately taking the initiative and making meaningful contributions to the organization ([Ly, 2024](#); [Nembhard & Edmondson, 2006](#)). Employees who feel that their work environment is inclusive and non-judgmental show more enthusiasm and commitment to their work ([A. C. Edmondson & Bransby, 2023](#)). The link is intuitive: a secure climate promotes risk-taking, innovation, and cooperation, all of which are necessary elements of the involved work conduct. It is also necessary to unravel the importance of leadership and organizational climate in this context. The assertions made above are additionally reflected in leadership styles, as can be found in studies such as [Ly \(2024\)](#) and [Rabiul et al. \(2023\)](#). The crucial importance of psychological safety becomes apparent from such studies because it illustrates how leaders have made a difference through establishing trust, transparency, and fairness, which are the hallmarks of a safe and secure environment that creates engagement-oriented franchise behaviors such as commitment, enthusiasm, and willingness to go the extra mile. With employees not worried about being judged or blamed for failures, nor afraid of calling out mistakes, they can put more of their energy into work that matters, leading to enhanced performance ([Quansah et al., 2023](#)). As a result, psychological safety influences not only how people engage in the moment but also how engagement lasts over time. [Juutinen et al. \(2023\)](#) reinforce its predictive power in that regular exposure to psychological safety leads employees to remain engaged over time. This highlights the need for institutions to actively nurture psychological safety in an ongoing state.

5. Conclusion

5.1. Conclusion

The study builds upon established theoretical frameworks, including the Job Demands-Resources (JD-R) model and Social Identity Theory, to illustrate the practical implementation of the concept of Diversity, Equity, and Inclusion (DEI) initiatives and inclusive leadership on employee engagement, emphasizing the crucial roles of psychological safety in shaping real-world workplace contexts. The findings reveal that inclusive leadership and DEI initiatives create environments in which psychological safety and belonging can flourish. When these elements are in place, employee engagement tends to rise, a key driver of organizational performance. In Indonesia, this study offers a closer look at how cultural dynamics influence the effectiveness of these strategies, providing a valuable perspective for managing diverse teams.

Psychological safety is imperative in the workplace as it allows individuals to voice their concerns without worrying about the negative consequences of their workplace. It can be fostered only by leaders who demonstrate the principles of justice, transparency, and fairness. However, another prominent factor comes into play when discussing diversity, equity, and inclusion (DEI) initiatives meant to advance equity and inclusion in an organizational infrastructure. They all speak of fundamental human needs: the need for respect, fairness, and connection—which are essential for collaboration and performance.

These insights may prove particularly useful to organizations living in service-intensive spaces. Employee engagement is a significant contributor to success in these fields, and a culture that fosters both diversity and psychological safety is a catalyst for innovation and collaboration. The next consideration is training on inclusive leadership skills to prepare leaders to create supportive and engaged teams. Introducing DEI principles into organizational culture is also magnificent through thoughts that reflect fairness, respect differences, and practices that encourage inclusiveness and fairness.

5.2. Limitation

This study had several limitations. First, the cross-sectional data collection method restricts the ability to draw causal conclusions among the variables. Longitudinal studies are required to systematically track leadership, DEI initiatives, and psychological safety over time. Second, the Indonesian context may limit the applicability of the findings to other cultural or organizational settings.

5.3. Suggestion

Repeating the study to different countries or industries could improve the generalizability of its results. However, self-reported data are subject to common method bias, so statistical tests were used to address this. Future research could use multi-source data, such as peer or supervisor evaluations, to strengthen the results. Finally, although this study focused on psychological safety as a mediator, other potential mediators and moderators were not examined. Future research should explore these factors to deepen our understanding of the relationships involved. By addressing these limitations and building on the findings, future studies can shed further light on how inclusive leadership and DEI initiatives contribute to psychological safety and employee engagement.

Disclosure statement

The authors (s) declare that there are no potential conflicts of interest with respect to the research, authorship, and/or publication of this article. It should be noted that Artificial Intelligence (AI) tools have been consulted in writing this manuscript, including but not limited to language enhancement, paraphrasing, and clarity improvement. All AI-created content is vetted, fact-checked, and revised for originality at scholarly standards. The final manuscript contains the authors' intellectual work and interpretations.

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