

# Effect of Workplace Diversity Practices on Organizational Performance, Moderated by Process Innovation

Lazarus Akunga Kimang'<sup>1</sup>, Dr. Joanes Kaleli Kyongo<sup>2</sup> & Dr. Eunice Wandiga<sup>3</sup>

<sup>1,2&3</sup>School of Business and Economics, Daystar University, Kenya  
Email of the corresponding author: [lakimanga@gmail.com](mailto:lakimanga@gmail.com)

## Abstract

Publicly quoted companies in Kenya face persistent underperformance despite Capital Markets Authority requirements for qualified senior management. The study examined how process innovation moderates the relationship between workplace diversity practices and organizational performance. The study was guided by dynamic capabilities theory and adopted a pragmatic philosophical orientation. A quantitative cross-sectional survey design was employed. The target population comprised 150 senior management respondents from 56 operational publicly quoted companies on the Nairobi Securities Exchange, Kenya. The study selected three senior management respondents from the human resource, strategy, and finance functions in each company for questionnaires. Data collection involved structured questionnaires on a five-point Likert scale, with ethical clearance obtained. Pretesting confirmed validity (factor loadings >0.4) and reliability (Cronbach's alpha >0.7). Quantitative analysis used SPSS version 30, employing descriptive and inferential statistics. Findings revealed a positive, significant relationship between process innovation and performance, with the strongest moderating effect on organizational diversity practices. The study concludes that process innovation significantly enhances the impact of workplace diversity on performance and recommends structured innovation frameworks leveraging diverse perspectives to improve workflows, systems, and processes.

**Keywords:** *Process innovation, workplace diversity practices, organizational performance, publicly quoted companies, Nairobi Securities Exchange, Kenya, Dynamic Capabilities Theory*

### 1.1 Introduction

Kenya's publicly quoted companies face persistent underperformance, with profit warnings fluctuating between 9% and 43% from 2020 to 2023, largely driven by liquidity, foreign exchange, and financial risks despite regulatory requirements and diversity investments. This study explores how process innovation can moderate the relationship between workplace diversity and organizational performance. The intersection of workplace diversity practices, process innovation, and organizational performance has emerged as a critical area of scholarly and practical interest, particularly in emerging markets where publicly quoted companies face unique institutional and market challenges. In this study, workplace diversity practices are conceptualized along three dimensions: internal diversity practices, which encompass gender and ethnic diversity in hiring, team composition, and leadership appointments; external diversity practices, which refer to the valuing of diverse educational, professional, and experiential backgrounds in organizational decision-making and organizational diversity practices, which address role and hierarchical diversity across functional levels within the firm. While extensive research has examined direct

relationships between diversity and performance, limited empirical evidence exists on how process innovation moderates this relationship across these three dimensions, especially within the African context. This study addresses this gap by investigating publicly quoted companies on the Nairobi Securities Exchange, which represents a unique empirical setting characterized by regulatory requirements for qualified senior management, sectoral diversity across eleven distinct industries, and persistent performance challenges evidenced by recurring profit warnings.

Understanding how process innovation influences the diversity-performance relationship across internal, external, and organizational diversity dimensions holds significant implications for senior management, policymakers, and organizational development practitioners seeking evidence-based strategies to enhance competitive advantage and organizational effectiveness in dynamic market environments. The study is informed by the dynamic capabilities' theory (Teece *et al.*, 1997), which explains how organizations leverage workplace diversity to sense opportunities, seize them through process innovation, and transform structures for sustained competitiveness. By enabling firms to reconfigure resources and adapt to changing environments, the theory underpins the moderating role of process innovation in translating diverse talent into superior organizational performance.

## 1.2 Workplace Diversity Practices

Workplace diversity practices refer to specific organizational policies and actions intended to support a workforce made up of varied individual differences. These practices demonstrate the need for people with different backgrounds at workplace in achieving organizational performance outcomes. Hundschell *et al.* (2022) established that diverse teams challenge conventional methods and explore alternative approaches, leading to improvements in production efficiency, customer service systems, and knowledge management. Härtel *et al.* (2022) found that inclusive organizational cultures enable the establishment of novel processes due to the presence of divergent thinking and constructive conflict. Moreover, diverse teams reduce groupthink and encourage experimentation, which are critical components of continuous innovation in competitive industries.

Globally, workplace diversity practices have evolved from compliance-driven initiatives to strategic imperatives that drive competitive advantage. Abdelhay (2024) demonstrated that diversity management significantly impacts organizational innovation when mediated by knowledge sharing and moderated by inclusive leadership, suggesting that the mere presence of diversity is insufficient without supportive organizational practices. Ntiamoah *et al.* (2024) found that workplace diversity positively influences employee innovation through the mediating role of psychological safety in the banking sector, indicating that diverse perspectives flourish when employees feel secure to express divergent viewpoints. Adeniji *et al.* (2024) compared gender equality practices between USA and African organizations, revealing that while developed markets have institutionalized diversity frameworks, emerging markets still grapple with implementing comprehensive diversity strategies.

In Kenya, Munyiva and Kosgei (2022) noted that inclusive hiring and promotion policies of companies quoted on the NSE have led to improved innovation and structural flexibility, enabling quicker adaptation to regulatory and technological changes. Mwangi and Nzulwa (2022) further established that gender, ethnic, and generational diversity within Kenyan organizations fosters the exchange of different perspectives, encouraging creative problem-solving and new idea generation. Kimani and Wanjiku (2023) found that companies with diversity-conscious leadership

foster adaptive organizational cultures where minority voices influence decisions, thereby enhancing organizational responsiveness to shifting customer needs and market dynamics.

### 1.3 Organizational Performance

Organizational performance represents the extent to which an organization achieves its strategic objectives, operational efficiency, and financial targets. According to Ngugi and Mutiso (2025), organizational performance is multidimensional, influenced by factors including operational effectiveness, financial outcomes, employee performance, and adaptability. Viterouli *et al.* (2024) assert that workplace diversity practices enhance organizational performance through increased revenue growth, market share, operating cost reduction efficiency, and profitability. Härtel *et al.* (2022) found that diverse teams working within inclusive systems produce adaptive innovations and streamline internal processes, which translates into stronger financial performance, increased shareholder value, and long-term sustainability. According to Madan and Spence (2023), empirical research from multinational firms supports the view that diversity-driven innovation is a key competitive advantage in navigating complex global markets.

The measurements and evaluation of organizational performance have evolved to encompass both financial and non-financial metrics that capture organizational effectiveness holistically. Chijoke-Mgbame *et al.* (2020) demonstrated that board gender diversity positively correlates with financial performance in Nigerian contexts, suggesting that diverse governance structures contribute to superior decision-making and resource allocation. Zhu *et al.* (2022) established that innovation serves as a critical mediator between organizational practices and performance outcomes among Chinese enterprises, indicating that performance improvements often materialize through innovation-enabled processes rather than direct effects. Furthermore, contemporary organizational performance frameworks increasingly recognize the importance of adaptive capacity, stakeholder satisfaction, and sustainability metrics alongside traditional profitability measures.

Olanipekun *et al.* (2023) in their study of distilleries firms in Southwest Nigeria found that employees of different ages collaborating presented creativity and innovative mechanisms, which improved organizational performance. Izadi *et al.* (2020) found that in Malawi, innovation management capability had a positive relation to firm performance. However, Mousa *et al.* (2020) noted that diversity management practices remain underdeveloped in the majority of African countries, which has consequently limited innovation capacity and led to employee underperformance and eventual organizational underperformance.

### 1.4 Process Innovation

Process innovation involves the adoption of new or substantially enhanced production methods, delivery systems, or operational techniques by leveraging technology and data-driven approaches (Bryda & Costa, 2023). According to Iherobiem and Sanusi (2023), process innovation serves as a strategic tool in enhancing the performance of organizations. The adoption of digital tools such as artificial intelligence has been a major driver of process innovation (Davenport & Ronanki, 2018). Companies are increasingly using these technologies to cut expenses, simplify operations, and enhance efficiency (McKinsey & Company, 2021). Agile methodologies have become central to process innovation, facilitating organizations in their ability to adapt to fluctuations in market conditions and customer demands (Rigby *et al.*, 2020).

The relationship between process innovation and organizational capabilities has emerged as a critical determinant of competitive advantage in contemporary business environments. Brand *et*

*al.* (2021) found that both process innovation and adaptive capacity involve agile methods that enable organizations to perform better through improved systems, suggesting that process innovation serves as a mechanism through which organizations develop dynamic capabilities. Zouaghi *et al.* (2020) established that research and development team diversity enhances innovative performance through a mediated moderation model, indicating that diverse teams are particularly effective at generating and implementing process innovations when supported by appropriate organizational structures.

Karman (2020) noted that organizations with diverse workforces have the advantage of interpreting complex environments, recognizing shifts in consumer behavior, and pivoting accordingly. Ekwueme *et al.* (2023) established that innovation strategy positively affects organizational performance in manufacturing firms, providing support for the performance benefits of systematic innovation approaches. Mugambi and Kinyua (2020) found that innovation capability significantly influences firm performance among commercial banks in Nairobi, demonstrating the relevance of innovation constructs in Kenyan service sectors. However, despite the growing recognition of process innovation's importance, significant research gaps remain regarding its moderating role between workplace diversity practices and organizational performance in publicly quoted Kenyan companies.

### **1.5 Nairobi Securities Exchange (NSE)**

The Nairobi Securities Exchange, established in 1954, serves as the principal securities exchange in Kenya and the broader East African region. The NSE operates as a platform for trading equities, bonds, and other financial instruments, playing a crucial role in capital formation and economic development in Kenya. According to NSE (2024), publicly quoted companies on the exchange had a market capitalization of approximately 15 percent of Kenya's Gross Domestic Product, underscoring their significant contribution to the national economy. The exchange is organized into eleven distinct sectors including agricultural, automobiles and accessories, banking, commercial and services, construction and allied, energy and petroleum, insurance, investment, investment services, manufacturing and allied, and telecommunication and technology sectors.

Despite Capital Markets Authority requirements for qualified and experienced senior management, publicly quoted companies on the NSE have persistently underperformed. NSE data reveals concerning trends in profit warnings issued by listed companies, with 29 percent in 2020, 43 percent in 2021, 9 percent in 2022, and 34 percent in 2023. These recurring profit warnings serve as definitive signals of deteriorating organizational performance despite governmental initiatives aimed at fostering conducive business environments and compliance regulations. According to Theuri (2021), manufacturing firms quoted on the NSE have been particularly affected, with 46 percent issuing profit warnings in specific periods. This persistent underperformance despite regulatory frameworks and management qualifications requirements creates an urgent imperative for exploring how workplace diversity practices, moderated by process innovation, can enhance organizational performance outcomes among NSE-listed companies.

### **2.1 Workplace Diversity Practices and Organizational Performance**

Zouaghi *et al.* (2020) examined how various diversity dimensions drive innovations in research and development teams using data collected from approximately 12,000 firms in Spain. The study employed quantitative methods, analyzing how gender, skills, and education diversity influenced innovation outcomes. The study concluded that gender, skills, and education diversity were

positively linked with product innovation and process innovation. However, the study also supported the hypothesis that surface-level diversity may negatively affect research and development team performance when interacting with deep-level diversity. This finding highlights the complexity of diversity effects and suggests that organizations must carefully manage different diversity dimensions to optimize performance outcomes.

Ntiamoah *et al.* (2024) conducted research on the banking sector in Ghana, exploring the impact of workplace diversity on employee innovation, highlighting psychological safety as a mediating factor. An explanatory research design grounded in a positivist paradigm was used and quantitative data was gathered from 180 banking sector employees through structured questionnaires. The study concluded that diversity initiatives enhance innovation by fostering an environment of psychological safety, which in turn improves organizational performance. The findings demonstrated that when employees from diverse backgrounds feel psychologically safe, they are more willing to contribute innovative ideas that improve organizational processes.

Abdelhay (2024) investigated how diversity management influences organizational innovation, highlighting the mediating function of knowledge sharing and the moderating influence of inclusive leadership. The study took a quantitative approach, collecting data through surveys from employees across multiple firms in various industries. The research employed structural equation modeling to test the relationships between diversity management, knowledge sharing, inclusive leadership, and organizational innovation. The study concluded that effective diversity management enhances innovation through improved knowledge-sharing practices, which in turn positively influences organizational performance outcomes.

This study's conceptual framework posits that internal diversity practices encompassing gender and ethnicity diversity, external diversity practices comprising educational, professional, and experiential diversity, and organizational diversity practices covering role and hierarchical diversity, collectively influence organizational performance. Process innovation moderates this relationship by determining the extent to which diverse teams generate new ideas, pilot innovative initiatives, implement process improvements, and embed continuous learning into organizational systems, thereby amplifying or attenuating the effect of workplace diversity practices on organizational performance. Organizational performance is measured using the Balanced Scorecard Model across revenue growth, market share, operational cost reduction efficiency, and innovation and research and development investment growth. The null hypothesis of this study is that process innovation does not significantly moderate the relationship between workplace diversity practices and organizational performance of publicly quoted companies in Kenya.

### **3.1 Research Methodology**

The study adopted a pragmatic philosophical orientation to address practical organizational challenges. A quantitative cross-sectional survey design was employed. The target population comprised 150 senior management respondents from 56 publicly quoted companies on the Nairobi Securities Exchange. Three senior management respondents from the human resource, strategy, and finance functions in each company were selected for questionnaires. Data collection involved structured questionnaires on a five-point Likert scale, with ethical clearance obtained. Pretesting confirmed validity (factor loadings  $>0.4$ ) and reliability (Cronbach's alpha  $>0.7$ ). Quantitative analysis used SPSS version 30, employing descriptive and inferential statistics.

#### 4.1 Response Rate

The study targeted 150 quantitative (questionnaire) respondents after the exclusion of pretest respondents. The study achieved 132 completed questionnaires, representing a response rate of 88 percent. This response rate compares favorably with the benchmarks recommended by Mugenda and Mugenda (2019), who classify 70 percent and above as excellent, and Babbie (2016), who considers response rates above 70 percent acceptable for generalizing findings. The high response rate was primarily due to the use of Google Forms, which is generally favored by respondents over hard copy and emails. Additionally, targeted respondents were individually advised that if all the targeted respondents in each company did not respond, their company would be excluded from the research.

#### 4.2 Descriptive Statistics

This section presents descriptive statistics for all the study variables measured using a five-point Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree).

*Table 1: Descriptive Statistics*

Variable	Mean	Std. Deviation
Internal Diversity Practices	3.76	1.04
External Diversity Practices	3.75	1.06
Organizational Diversity Practices	3.75	0.12
Innovation Capability	3.77	0.99
Organizational Performance	3.81	1.06

The descriptive statistics presented in Table 1 reveal that respondents generally agreed with statements across all five study variables, as evidenced by mean scores ranging from 3.75 to 3.81 on a five-point Likert scale. Organizational performance recorded the highest aggregate mean of 3.81 (SD = 1.06), indicating that respondents recognized a positive relationship between workplace diversity practices and organizational performance outcomes. Internal diversity practices recorded a mean of 3.76 (SD = 1.04), reflecting general organizational commitment to gender and ethnic diversity, though the relatively high standard deviation suggests considerable variability in implementation, particularly in ethnic diversity practices across publicly quoted companies in Kenya.

External diversity practices and organizational diversity practices both recorded equal aggregate means of 3.75, indicating comparable levels of implementation across organizations. However, a striking distinction exists in their standard deviations, with external diversity practices recording a standard deviation of 1.06 reflecting considerable variability in how organizations leverage educational, professional, and experiential diversity, while organizational diversity practices recorded an exceptionally low standard deviation of 0.12, indicating highly consistent and uniform perceptions across all respondents regarding role and hierarchical diversity implementation. This distinction suggests that while structural diversity mechanisms are uniformly perceived across organizations, external diversity practices remain unevenly implemented.

Process innovation recorded a mean of 3.77 (SD = 0.99), confirming that respondents generally agreed that workplace diversity practices contributed positively to process innovation through idea generation, pilot testing of new initiatives, and successful implementation of process improvements from diverse team inputs. The moderate standard deviation of 0.99 reflects reasonably consistent perceptions regarding the moderating role of process innovation, though variability remains across organizations in the depth of commitment to diversity-driven innovation. Overall, the descriptive statistics confirm that publicly quoted companies on the Nairobi Securities Exchange have made meaningful progress in implementing workplace diversity practices across all dimensions, with process innovation moderating the pathway through which these practices translate into superior organizational performance outcomes.

### 4.3 Correlation Analysis

Pearson product-moment correlation analysis was employed to test the strength and direction of linear relationships between the study variables and organizational performance. Table 2 presents the correlation coefficients among all study variables.

**Table 2: Correlation Matrix**

		Organizational Performance	Internal Diversity Practices	External Diversity Practices	Organizational Diversity Practices	Process innovation
Organizational Performance	Pearson Correlation	1.000				
	Sig. (2-tailed)					
Internal Diversity Practices	Pearson Correlation	.425**	1.000			
	Sig. (2-tailed)	0.000				
External Diversity Practices	Pearson Correlation	.389**	0.025	1.000		
	Sig. (2-tailed)	0.000	0.777			
Organizational Diversity Practices	Pearson Correlation	.473**	-0.039	-0.052	1.000	
	Sig. (2-tailed)	0.000	0.658	0.557		
Process innovation	Pearson Correlation	0.645	0.580	0.397	0.229	1.000
	Sig. (2-tailed)	0.040	0.049	0.000	0.008	

The results showed that internal diversity practices had a moderate positive and statistically significant relationship with organizational performance ( $r=0.425$ ,  $p=0.000$ ). External diversity practices also exhibited a moderate positive and statistically significant relationship with organizational performance ( $r=0.389$ ,  $p=0.000$ ), supporting Telyani *et al.* (2022), who found that diversity in age and experience significantly influences organizational performance. Organizational diversity practices were found to have a moderate positive and statistically significant relationship with organizational performance ( $r=0.473$ ,  $p=0.000$ ), which was the highest correlation among the three diversity practice variables. Process innovation showed a strong positive and statistically significant relationship with organizational performance ( $r=0.645$ ,  $p=0.040$ ), confirming that process innovation is the most influential variable associated with

organizational performance among all variables studied. Process innovation demonstrated significant positive correlations with internal diversity practices ( $r=0.580$ ,  $p=0.049$ ), external diversity practices ( $r=0.397$ ,  $p=0.000$ ), and organizational diversity practices ( $r=0.229$ ,  $p=0.008$ ), suggesting that diversity practices and process innovation reinforce each other. These inter-variable relationships support Zouaghi *et al.* (2020), who found that gender, skills, and education diversity were positively linked with product innovation and process innovation.

#### 4.4 Multiple Regression Analysis

Multiple regression analysis was conducted to assess the combined effect of internal, external, and organizational diversity practices on organizational performance of publicly quoted companies in Kenya. Table 3 presents the regression results.

**Table 3: Multiple Regression Results for Workplace Diversity Practices and Organizational Performance**

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.764a	0.584	0.575	0.11445		

  

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.357	3	0.786	59.968	.000
	Residual	1.677	128	0.013		
	Total	4.033	131			

  

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		$\beta$	Std. Error	Beta		
1	(Constant)	- 4.013	0.591		- 6.789	0.000
	Internal Diversity Practices	0.641	0.084	0.435	7.621	0.000
	External Diversity Practices	0.620	0.087	0.405	7.094	0.000
	Organizational Diversity Practices	0.764	0.085	0.511	8.949	0.000

The multiple regression analysis demonstrates that the three dimensions of workplace diversity practices-internal, external, and organizational- jointly explain 58.4% of variance in organizational performance ( $R^2 = 0.584$ ,  $F = 59.968$ ,  $p = 0.000$ ), substantially exceeding the explanatory power of each dimension individually (18.1%, 15.2%, and 22.4% respectively), confirming meaningful synergistic effects when all dimensions are implemented simultaneously. Organizational diversity

practices emerged as the strongest predictor ( $\beta = 0.764$ , standardized beta = 0.511), followed by internal diversity practices ( $\beta = 0.641$ ) and external diversity practices ( $\beta = 0.620$ ), with all three significant at  $p = 0.000$ . These findings support Rafaqat *et al.* (2022) and Hilal *et al.* (2024), who confirmed strong diversity-performance linkages across multiple dimensions, reinforcing that NSE-listed companies achieve superior performance through holistic diversity management integrating all three dimensions concurrently rather than pursuing any single dimension in isolation.

#### 4.5 Moderating Effect of Process Innovation

The moderation analysis was conducted in two steps (models). In model 1, process innovation was included as an independent variable alongside the three workplace diversity practices comprising internal diversity practices, external diversity practices, and organizational diversity practices. In model 2, interaction terms between each workplace diversity practice and process innovation were introduced to assess whether the moderation effect was statistically significant. According to moderation criteria, if the interaction terms are statistically significant, process innovation is deemed to moderate the respective relationships. The analysis examines whether process innovation amplifies or diminishes the effects of diversity practices on organizational performance. Table 4 presents the hierarchical regression results.

**Table 4: Hierarchical Regression Analysis of Moderating Effect of Process Innovation**

Variable	Model 1	Model 2
<b>Model Summary</b>		
R <sup>2</sup>	0.587	0.724
<b>ANOVA</b>		
Sum of Squares (Regression)	2.366	2.922
Sum of Squares (Residual)	1.668	1.111
df (Regression)	4	7
df (Residual)	127	124
F-statistic	45.043 (p=0.000)	46.566 (p=0.000)
<b>Main Effects (<math>\beta</math>)</b>		
Internal Diversity Practices	0.637 (p=0.000)	0.456 (p=0.000)
External Diversity Practices	0.626 (p=0.000)	0.496 (p=0.000)
Organizational Diversity Practices	0.763 (p=0.000)	0.553 (p=0.000)
Process Innovation	0.019 (p=0.406)	0.004 (p=0.849)
<b>Interaction Effects (<math>\beta</math>)</b>		
Internal Diversity $\times$ Process Innovation	-	0.021 (p=0.007)
External Diversity $\times$ Process Innovation	-	0.008 (p=0.039)
Organizational Diversity $\times$ Process Innovation	-	0.046 (p=0.000)

Note:  $\beta$  = Unstandardized coefficients; significant at  $p < 0.05$

Model 1 explains 58.7 percent of variance in organizational performance ( $R^2 = 0.587$ ), with an ANOVA F-statistic of 45.043 ( $p = 0.000$ ), indicating that the combined predictors significantly explain the variation in organizational performance at  $p < 0.05$  level. All three diversity practices

showed significant positive effects: internal diversity ( $\beta = 0.637, p=0.000$ ), external diversity ( $\beta = 0.626, p=0.000$ ), and organizational diversity ( $\beta = 0.763, p=0.000$ ), while process innovation was non-significant ( $\beta = 0.019, p=0.406$ ).

Model 2, incorporating interaction terms, increased explanatory power to 72.4 percent ( $R^2 = 0.724$ ), representing a 13.7 percentage point increase. The ANOVA F-statistic increased to 46.566 ( $p=0.000$ ), confirming at  $p<0.05$  level that process innovation strengthens the predictive relationship between workplace diversity practices and organizational performance. All three interaction terms were statistically significant at  $p<0.05$  level, confirming process innovation's moderating role. The strongest moderation occurred with organizational diversity practices ( $\beta = 0.046, p=0.000$ ), followed by internal diversity practices ( $\beta = 0.021, p=0.007$ ) and external diversity practices ( $\beta = 0.008, p=0.039$ ). Notably, process innovation's direct effect became non-significant in model 2 ( $p=0.849$ ), indicating it operates primarily through interaction with diversity practices rather than independently.

These findings align with Dynamic Capabilities Theory (Teece *et al.*, 1997), which posits that organizations leverage process innovation as a mechanism to translate diverse workforce capabilities into superior performance outcomes. The results are supported by empirical studies from Iherobiem and Sanusi (2023), Mugambi and Kinyua (2020), Ekwueme *et al.* (2023), Härtel *et al.* (2022), and Zouaghi *et al.* (2020), who confirmed that diversity combined with process innovation produces superior organizational outcomes. The study thus rejects the null hypothesis, concluding that process innovation has a statistically significant moderating effect at  $p<0.05$  level on the relationship between workplace diversity practices and organizational performance of publicly quoted companies in Kenya, with the strongest amplification occurring for organizational diversity practices ( $p=0.000$ ), followed by internal diversity practices ( $p=0.007$ ) and external diversity practices ( $p=0.039$ ).

### 5.1 Discussion of Findings

The findings indicate that process innovation significantly moderate the relationship between workplace diversity practices and organizational performance of publicly quoted companies in Kenya. The hierarchical regression analysis revealed that when process innovation was introduced as a moderator through interaction terms in Model 2, the R square increased from 0.587 to 0.724, representing a statistically significant increase of 13.7 percentage points. All three interaction terms between process innovation and workplace diversity dimensions were statistically significant at  $p<0.05$  level. The strongest moderating effect was observed for organizational diversity practices  $\times$  process innovation ( $\beta = 0.046, p=0.000$ ), followed by internal diversity practices  $\times$  process innovation ( $\beta = 0.021, p=0.007$ ), and external diversity practices  $\times$  process innovation ( $\beta = 0.008, p=0.039$ ).

Process innovation's direct effect on organizational performance became non-significant in both Model 1 ( $p=0.406$ ) and Model 2 ( $p=0.849$ ) when workplace diversity practices were included in the regression models. This pattern suggests that process innovation operates primarily through its interaction with diversity practices rather than as an independent predictor of organizational performance. This finding aligns with Dynamic Capabilities Theory, which posits that organizations leverage process innovation as a transformation mechanism to translate diverse workforce capabilities into superior performance outcomes through sensing, seizing, and transforming processes. The empirical findings are strongly supported by existing literature including Iherobiem and Sanusi (2023), Mugambi and Kinyua (2020), Ekwueme *et al.* (2023), and

Härtel *et al.* (2022), who confirmed that diversity combined with process innovation produces superior organizational outcomes.

The study's findings have significant implications for publicly quoted companies in Kenya seeking to enhance organizational performance through diversity and innovation strategies. The results demonstrate that workplace diversity practices alone explain 58.7 percent of variance in organizational performance, but when combined with process innovation through moderating effects, the explanatory power increases to 72.4 percent. This 13.7 percentage point increase represents substantial practical significance, suggesting that organizations investing in both diversity initiatives and process innovation frameworks can achieve significantly superior performance outcomes compared to those focusing on diversity alone. The finding that process innovation operates primarily as a moderator rather than an independent predictor underscores the importance of integrated diversity-innovation strategies for NSE-listed companies to maximize organizational performance in Kenya's competitive business environment.

### 6.1 Conclusions

The study concludes that process innovation has a statistically significant moderating effect on the relationship between workplace diversity practices and organizational performance of publicly quoted companies in Kenya. The moderation analysis confirmed that process innovation strengthens the explanatory power of workplace diversity practices on organizational performance, with all interaction terms between process innovation and internal diversity practices, external diversity practices and organizational diversity practices being statistically significant. This confirms that process innovation moderates all three diversity dimensions, with the strongest moderating effect observed for organizational diversity practices, followed by internal diversity practices and external diversity practices. The direct effect of process innovation became non-significant when interaction terms were introduced, suggesting that process innovation operates primarily through its interaction with diversity practices rather than as an independent predictor of organizational performance. These findings therefore lead to the rejection of the null hypothesis that process innovation does not have a statistically significant moderating effect on the relationship between workplace diversity practices and organizational performance of publicly quoted companies in Kenya.

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