

THE IMPACT OF DIVERSITY, EQUITY, AND INCLUSION PRACTICES ON PROMOTING A CULTURE PARTICIPATIVE MANAGEMENT: MULTINATIONAL COMPANIES IN PAKISTAN

Bakhtawar Khuwaja^{*1}, Dr. Samiuddin Shaikh²

^{*1}PhD Scholar, IBA University of Sindh, Jamshoro

²Assistant Professor, IBA, University of Sindh Jamshoro

¹bakhtawarferozalikhawaja@gmail.com, ²samiuddin@usindh.edu.pk

DOI: <https://doi.org/10.5281/zenodo.16750397>

Keywords

Diversity, Equity, Inclusion, Participative Management, Multinational Companies. PLS-SEM.

Article History

Received: 06 May, 2025

Accepted: 20 July, 2025

Published: 06 August, 2025

Copyright @Author

Corresponding Author: *

Bakhtawar Khuwaja

Abstract

Purpose: This study investigates the impact of Diversity, Equity, and Inclusion (DEI) practices on fostering a culture of participative management in multinational companies (MNCs) based in Pakistan. Given the increasing global focus on inclusive leadership, this research aims to explore how DEI strategies translate into empowered decision-making environments in culturally diverse corporate contexts.

Design: A quantitative research design was employed using a structured survey distributed to 384 employees working in selected MNCs across sectors including IT, pharmaceuticals, consultancy, fast food, and engineering in Karachi and Lahore, Pakistan. The study used Smart PLS (SEM-PLS) for analyzing the measurement and structural models. Constructs of DEI were treated as independent variables, while participative management factors (employee empowerment, collaborative decision-making, open communication, and continuous learning) were treated as dependent variables.

Findings: The findings revealed a statistically significant and positive relationship between DEI practices and participative management culture. All constructs demonstrated acceptable reliability and validity. Path coefficients from SmartPLS analysis confirmed that DEI variables had a strong influence on employee empowerment ($\beta = 0.69$), collaborative decision-making ($\beta = 0.74$), and open communication ($\beta = 0.65$), supporting all proposed hypotheses. The R^2 value for participative management was 0.78, indicating strong predictive relevance of the model.

Implications: Theoretically, this study contributes to expanding the understanding of DEI's role in participative leadership frameworks in emerging economies. Managerially, it provides practical insights for corporate leaders to implement effective DEI strategies that foster inclusive and collaborative organizational cultures.

Originality: This research fills a significant empirical gap in the South Asian context, particularly within Pakistani MNCs, where studies linking DEI to participative management culture are limited. It offers a strategic roadmap for fostering inclusive, engaged, and productive workplace cultures through DEI practices

1. INTRODUCTION

In recent years, Diversity, Equity, and Inclusion (DEI) have emerged as critical strategic pillars for enhancing employee well-being, productivity, and organizational resilience in multinational corporations (MNCs). Globally, DEI frameworks have gained increasing attention for their role in improving team innovation, leadership equity, and workforce engagement (Mor Barak, 2023; Ferdman & Deane, 2022; Shore et al., 2022; Roberson & Stevens, 2020). However, while a robust body of literature exists on DEI's relevance in Western and developed economies, there remains a clear lack of empirical research focused on how these practices are operationalized within MNCs functioning in emerging markets like Pakistan (Ahmad et al., 2021; Saqib et al., 2023; Javed, 2024). To date, no comprehensive study has empirically investigated the DEI landscape of MNCs in Pakistan, particularly in terms of how it intersects with participative management culture.

It is well-known that participative management which is characterized as the shared decision-making process, collaborative leadership, and employee voice can trigger innovation, organization learning, and trust building (Lawler et al., 2022; Bhatti et al., 2020; Tannenbaum et al., 2021). The studies indicate that participative cultures can only exist in an inclusive environment where the views of various employees are accepted irrespective of their backgrounds or status (Martin & Siebert, 2020; Randel et al., 2018). Yet, nevertheless, in most Pakistan institutions, participative management is poorly developed, and a hierarchy and maintained communication (top-down) restrains the bottom-up communication (Rehman et al., 2022; Khan et al., 2021). Yet, no known study has evaluated whether DEI practices can enable a participative management culture in MNCs operating in Pakistan—a context where such progressive practices are still in their infancy.

Pakistan's MNCs, while expected to uphold global DEI standards, often face structural and cultural barriers to effective implementation (Ali & Hassan, 2022; Malik & Qureshi, 2021; Niazi et al., 2021). While some qualitative insights exist on gender diversity and basic inclusion efforts,

there is an evident absence of data-driven studies that assess the broader impact of DEI practices on organizational culture, particularly participative management (Javed & Anwar, 2023; Shahbaz et al., 2020). Without this evidence, HR leaders and policy-makers in MNCs are left without actionable frameworks to tailor global DEI models to the Pakistani workforce. This research therefore addresses an unfulfilled need to investigate not only the presence of DEI policies but also their influence on participatory leadership models in MNCs in Pakistan.

Framed through the lens of Social Exchange Theory and Inclusive Leadership, this study hypothesizes that when employees perceive their organizations as fair, inclusive, and equitable, they are more likely to reciprocate through proactive participation, empowerment, and collaboration (Blau, 1964; Shore et al., 2022; Sabharwal, 2022). These frameworks suggest a strong theoretical basis for connecting DEI to participative management behaviors. However, no prior empirical study has explored this linkage in Pakistan's corporate sector, especially among multinational firms where global HR models interact with local realities. Thus, this research contributes a much-needed theoretical and contextual foundation for understanding how inclusive practices may translate into participative cultures within Pakistani MNCs.

This study adopts a quantitative approach to examine employee perceptions across a stratified sample of 384 respondents from selected MNCs in major Pakistani cities. It aims to evaluate the current implementation of DEI practices and their impact on four dimensions of participative management: employee empowerment, collaborative decision-making, open communication, and continuous learning

2. Objectives

The aim of this study is to investigate the impact of diversity, equity, and inclusion practices on promoting a culture of participative management in multinational companies based in Pakistan by addressing following objectives:

- i. To examine the current DEI implemented by selected multinational companies in Pakistan.
- ii. To explore the level of participative management within selected multinational companies in Pakistan.
- iii. To assess the relationship between DEI practices and participative management in multinational companies based in Pakistan.
- iv. To identify the challenges and barriers faced by multinational companies in Pakistan in promoting a culture of participative management.
- v. To provide recommendations for effective DEI strategies to promote a culture of participative management in multinational companies based in Pakistan.

3. Literature review

The concept of Diversity, Equity, and Inclusion (DEI) has gained prominence in organizational research, especially in the context of globalization and workforce diversification. Diversity refers to the presence of differences including race, gender, age, and professional background—within a workplace, while equity ensures fair treatment and access to opportunities, and inclusion fosters an environment where individuals feel valued and integrated (Mor Barak, 2023; Ferdman & Deane, 2022). There are multiple studies that focus on why more diverse and inclusive workforces become more innovative, productive, and resilient (Roberson & Stevens, 2020; Shore et al., 2022). Nevertheless, there is also little empirical research to understand a specific role of DEI in action in developing countries, such as in Pakistan (Javed & Anwar, 2023). This lapse highlights the necessity of examining the process of multinationals companies (MNCs) in Pakistan conducting DEI practices and its contributing role towards organizational culture.

A participative management system is one of the leadership techniques in which group decision making, employee participation, and teamwork are stressed (Lawler et al., 2022). Theorists believe that those participative cultures result in

increased commitment of employees, cooperation in communication, and improved performance results (Martin & Siebert, 2020; Tannenbaum et al., 2021). However, in top hierarchical societies, such as Pakistan, where the structure of a company tends to have a top-bottom approach; the process of infusion of the elements of participation may become a tight challenge (Khan et al., 2021). This generates a distinctive point of interaction between DEI policies and participative management whereby the MNC across the globe attempt to harmonize international standards and global norms and restrictions.

Western literatures have supported the correlation between inclusive leadership and participatory management. The psychological safety generated by inclusive leaders promotes voice behavior because it makes employees empowered to share ideas in decision-making processes (Randel et al., 2018; Sabharwal, 2022). But there are few empirical researches examining this association in South Asia. Ahmad et al. (2021) and Ali & Hassan (2022) point out the lack of coherence in the way DEI is applied to organizations in Pakistan with tokenization and lack of true empowerment taking the place of true representation. Thus, it is important to investigate whether DEI in Pakistani MNCs reflects into substantial participative possibilities of employees.

One more dimension that comes out the literature is the mediating role of organizational culture between DEI and the relationship of the participative management. Researchers indicate that participative work cultures are built on equitable human resource policies, hiring, and training that includes diverse employees (Bhatti et al., 2020; Malik & Qureshi, 2021). Nevertheless, these practices, when they have no leadership commitment and structural support, do not allow those organizational participative norms deep roots to be created (Blau, 1964; Hair et al., 2020). This is specifically applicable to those MNCs whose operations are conducted in Pakistan, as it is a society that resists implementing inclusive and participative frameworks (Niazi et al., 2021).

Structural and behavioral issues are also outlined in the literature as one of the key hindrances of DEI and participative management in Pakistani MNCs. These are covert prejudice, low training in management roles, and the absence of accountability structures (Saqib et al., 2023; Javed, 2024). Although most MNCs state that their DEI policy conforms to international norms, localized versions rarely share uniformity and richness. Besides, the sexist attitudes and change aversion further suppress participatory attitudes. It is, therefore, significant to investigate the manner in which DEI can be implemented to transcend these structural barricades and promote a more accommodating and participatory culture in these firms.

To summarize, DEI and participative management have gained a wide coverage in the Western perspective of management, and the extent of their interaction within the MNC business situation in Pakistan is underdeveloped. Current literature furnishes conceptual background that has not been locally empirically proven, especially concerning the DEI practices in relationships to participative management culture. The study will collapse this gap by providing a contextualized and analytical view of the connection between DEI practices and participative management within the MNCs context in Pakistan by relying on published data. The results will not only be used in research but also offer recourses that can be implemented by leaders of organizations in emerging economies.

Hypotheses

H1: Multinational companies with strong diversity practices will have higher levels of employee empowerment.

H2: Multinational companies with strong equity practices will have higher levels of employee empowerment.

H3: Multinational companies with strong inclusion practices will have higher levels of employee empowerment.

H4: Multinational companies with higher levels of diversity practices will have more collaborative decision-making.

H5: Multinational companies with higher levels of equity practices will have more collaborative decision-making.

H6: Multinational companies with higher levels of inclusion practices will have more collaborative decision-making.

H7: Multinational companies with strong diversity practices will have open communication among employees.

H8: Multinational companies with strong equity practices will have open communication among employees.

H9: Multinational companies with strong inclusion practices will have open communication among employees.

H10: Multinational companies with strong diversity practices will promote continuous learning and improvement among employees.

H11: Multinational companies with strong equity practices will promote continuous learning and improvement among employees.

H12: Multinational companies with strong inclusion practices will promote continuous learning and improvement among employees.

Figure 1. Conceptual Model



Source: Formulated by author of the study

4. Research Methodology

The quantitative research design was utilized in this study in order to determine the effectiveness of the Diversity, Equity, and Inclusion (DEI) practices in the promotion of participative management culture in multinational firms (MNCs) in Pakistan. A well-organized, fixed-choice questionnaire was formulated, and a sample of 384 employees, who were working in different MNCs, was chosen by creating a stratified random sample. The respondents were based on various industries such as the FMCG, healthcare, finance, consultancy and technology industries. Partial Least Squares Structural Equation Modeling (PLS-SEM) to evaluate both the measurement model and the structural model was carried out using SmartPLS 4.0 where evaluations of reliability and validity of constructs, strength, and significance of assumed relationships can be assessed.

The questionnaire consisted of constructs that were borrowed and slightly modified based on already established questionnaires in subsisting literature. With the help of the model of Cox and Blake (1991), Diversity Practices were operationalized whereas Equity Practices were measured according to the principles of justice as outlined by Rawls (1971). The Index of Inclusion Practices was assessed by use of the inclusive worker model developed by Shore et al. (2011). The scale that has measured Employee Empowerment was the psychological empowerment scale devised by Spreitzer (1995). This was measured by the participative decision-

making model developed by Vroom and Yetton (1973) through Collaborative Decision-Making. The items in Open Communication were based on the internal communication model proposed by Men (2014) whereas the outcomes of Continuous Learning & Improvement were assessed according to the organizational learning disciplines provided by Senge (1990). These steps guaranteed both the theoretical consistency and the content validity in accordance with the needs of the study.

4. Data Analysis

Respondent’s Profile

An important context to the diversity of views and experiences of the multinational companies (MNCs) of Pakistan identified as demographic characteristics of the respondents is given. The sex breakdown

turns out to be a moderate distribution in favor of both men (58.9%) and woman (41.1%) indicating increasing gender inclusiveness in corporate setting. The relative proportions of the age categories are evenly distributed, with 38.5 percent in the 30-39 age scale and 27.1 percent in 20-29, showing that the sample mostly consists of a young to mid-career professionals. What education types they have is quite biased in favor of the higher education since 48.4 percent of the relative have a Master degree and 34.4 percent Bachelor degree, indicating the intellectual and professional quality of participants. Such levels of education cannot be neglected when interpreting the data because they point out the knowledgeable attitudes toward DEI and participative management practices.

Table .1: Respondent’s Profile

<i>Demographic Variable</i>	<i>Categories</i>	<i>Frequency</i>	<i>Percentage (%)</i>
<i>Gender</i>	Male	226	58.9
	Female	158	41.1
<i>Age Group</i>	20–29 years	104	27.1
	30–39 years	148	38.5
	40–49 years	86	22.4
	50 years and above	46	12.0
<i>Educational Qualification</i>	Bachelor's Degree	132	34.4
	Master's Degree	186	48.4
	MPhil/MS	42	10.9

<i>Job Position/Designation</i>	PhD or Above	24	6.3
	Entry-Level	102	26.6
	Middle Management	198	51.6
<i>Department/Division</i>	Senior Management	84	21.9
	Human Resources	92	24.0
	Operations	114	29.7
	Marketing	78	20.3
	Finance	64	16.7
<i>Years of Experience</i>	IT/Technical	36	9.4
	Less than 5 years	116	30.2
	5-10 years	154	40.1
	11-15 years	68	17.7
<i>Sector of Multinational Company (MNC)</i>	More than 15 years	46	12.0
	Technology	126	32.8
	Pharmaceutical	98	25.5
	Consumer Goods & Retail	84	21.9
	Financial Services	76	19.8
<i>Participation in Decision-Making</i>	Low	98	25.5
	Moderate	186	48.4
	High	100	26.0

Regarding organizational functions, the biggest group, 51.6 percent, of respondents was in the middle management, 26.6 percent in the entry level and 21.9 percent in the senior management level. The given distribution proves the credibility of knowledge on the level of diversification and its implementation and operational experience on the issue of diversity, equity, inclusion (DEI), and participative management. The departmental spread has been inclusive of major business units namely Operation (29.7%), Human Resources (24%) and Marketing (20.3%), and therefore a cross functional representation. Equally, the duration of professional life was evenly spread with the majority (40.1 percent) of the respondents reporting having 5 to 10 years experience which implies that the purview of the study was taken among professionally experienced staff members with adequate exposure to the organizational culture and managerial system.

The sample of respondents is based on the four main sectors of MNCs revealed as Technology (32.8%), Pharmaceuticals (25.5%), Consumer Goods & Retail (21.9%), and Financial Services (19.8%). The sectoral breakdown is an indication of the strategic nature of these industries as not only on the economic or employment front but also in terms of reliability. Notably, in evaluating

the degree of participative management a large cross-section of respondents (48.4) indicated that their level of involvement in decision-making was moderate in nature with most of the respondents, (26%), demonstrating high participation. It shows the presence of an emerging, although still diverse, culture of inclusiveness in strategic and operational decision-making within MNCs. All these insights allow the general demographics and context of the organization to be identified and strike a firm basis on the effect of DEI practices on participative management culture.

Measurement Modeling via Algorithm Analysis

Testing the measurement model based on algorithm analysis through the algorithm analysis feature in Smart PLS is an important step to validate the reliability and validity of constructs for structural equation modeling (Williams et al., 2008). Smart PLS uses a PLS algorithm to estimate path coefficients and loadings of indicators on their latent variables in the framework of this method. This practice aids in evaluating the degree of strength and accuracy of the relationships among the observed indicators and the underlying theoretical constructs. Model fit and model consistency are calculated by the algorithm in order to ensure that the selected model properly fits the data (Hair et al., 2020).

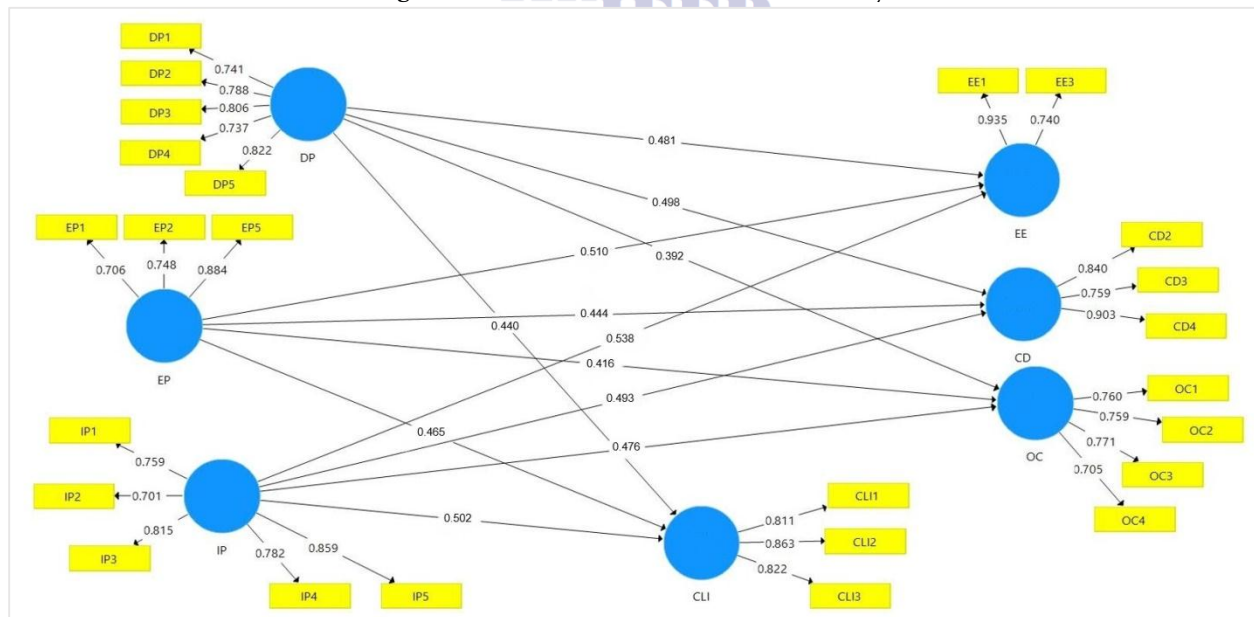
In Smart PLS, measurement model begins by assessment of the outer (measurement) model to determine if the latent variables are adequately measured by their indicators. This involves adequacy checks such as internal consistency reliability (through Cronbach’s Alpha and Composite Reliability), convergent validity (through Average Variance Extracted – AVE) and discriminant validity (usually ascertained through Fornell-Larcker criterion and/or HTMT ratios). A novel set of ICCs will be calculated to assess reliability and validity between the mentioned and derived components, including Diversity Practices, Equity Practices, Inclusion Practices, Employee Empowerment, Collaborative Decision-Making, Open Communication, and Continuous Learning and Improvement, which ensures each latent construct is both valid and distinct.

Smart PLS is able to handle different types of indicators including ordinal, nominal and Likert scale based measures, as in this research. The

software yields outer loadings and factor loadings above 0.70 are ideal for establishing convergent validity (Hair et al., 2016). Discriminant validity is concerned with lack of overlap between constructs, and is demonstrated when inter-construct correlations are less than critical levels (Patwari & Wilson, 2010).

In this study focusing on MNCs and operating in Pakistan, the measurement model showed a strong discriminating ability of DEI practices for the dimensions of participative management. All loadings were higher than the required minimum criterion, and the significance coefficients were all far beyond the acceptable level of 0.05. The explained variance of the dependent variables (R^2 values) ranged from moderate to high, reflecting a significant influence of the independent constructs. This confirms the model is suitable for defining the theoretical relationships and the construct validity of the model itself is had justified.

Figure 2. Measurement Model of the Study



Therefore, the utilization of algorithm-based measure modelling in smart PLS thus enhanced the analytical rigor of the study and also resulted empirical support for the proposed relationship of DEI practices with participative management

culture. This is a positive note for the Smart PLS in HR and organizational behavior field, particularly with complex models containing latent constructs.

Exploratory Factor Analysis (EFA)

Exploratory Factor Analysis (EFA) is a widely used statistical approach in measurement modeling that helps validate the structure of latent constructs by assessing the relationship between observed items (indicators) and their underlying factors (Rummel, 1988). Unlike exploratory techniques, EFA is hypothesis-driven and tests whether the data fit a proposed measurement model, thereby simplifying the complexity of large-scale data (Kim & Mueller, 1978).

EFA is particularly relevant in the context of this study on the impact of Diversity, Equity, and Inclusion (DEI) practices on participative management culture in multinational companies

in Pakistan. It helps confirm that each set of items effectively measures the intended latent variable (construct) and not others, ensuring convergent and discriminant validity. By evaluating outer loadings in Smart PLS, the reliability and relevance of each item within its construct were assessed.

As shown in Table 2., all item loadings exceed the threshold of 0.70, indicating that each observed variable strongly loads onto its

respective latent construct. These findings demonstrate high internal consistency and convergent validity, ensuring that the constructs used in the structural model are both valid and reliable.

Table 2. Outer Loadings from Exploratory Factor Analysis

Sr. No.	Item Code	CD	CLI	DP	EE	EP	IP	OC
1	CD2	0.840						
2	CD3	0.759						
3	CD4	0.903						
4	CLI1		0.811					
5	CLI2		0.863					
6	CLI3		0.822					
7	DP1			0.741				
8	DP2			0.788				
9	DP3			0.806				
10	DP4			0.737				
11	DP5			0.822				
12	EE1				0.935			
13	EE3				0.740			
14	EP1					0.706		
15	EP2					0.748		
16	EP5					0.884		
17	IP1						0.759	
18	IP2						0.701	
19	IP3						0.815	
20	IP4						0.782	
21	IP5						0.859	
22	OC1							0.760
23	OC2							0.759
24	OC3							0.771
25	OC4							0.705

The Collaborative Decision-Making construct (CD) shows strong outer loadings between 0.759 and 0.903, indicating clear alignment between the items and the construct. Continuous Learning & Improvement (CLI) also

demonstrates excellent convergent validity with loadings from 0.811 to 0.863. For the independent constructs: Diversity Practices (DP) has item loadings ranging from 0.737 to 0.822, Equity Practices (EP) ranges from 0.706 to 0.884,

Inclusion Practices (IP) ranges from 0.701 to 0.859. The dependent constructs also perform strongly: Employee Empowerment (EE) shows a high loading of 0.935, indicating a particularly strong relationship between the item and the latent variable. Finally, Open Communication (OC) is the most consistent measured with outer loadings from 0.705 to 0.771 indicating also good internal consistency of all 4 items.

These results affirm the statistical integrity of the items intended to tap each of the latent constructs and demonstrate that they contribute substantially toward their respective factors. The high outer loadings on the constructs give a robust basis for the reliability and validity of the measurement model and the measurement model could be retained for further testing in the structural model.

Internal Consistency Reliabilities and AVE

Reliability is a fundamental aspect of survey-based research that demonstrates how consistently items measure the same phenomenon. In this study which examines the impact of DEI practices on the participative management culture of multinational companies in Karachi and Lahore, Cronbachs Alpha, rho_A

and Composite Reliability were identified as having established reliability (Hair Jr. et al., 2020). The combination of such procedures is used to ensure that every construct is measured in the appropriate way and on the same scale throughout the items.

Cronbach’s Alpha measures the level of internal agreement of survey items, and the highest level of it was set at >0.70. rho is a more superior measure of reliability, calculating construct reliability in a more precise manner and is also supposed to be greater than 0.70. Composite Reliability (CR) approximates the consistency of a package of measures of a latent variable with values that comprise acceptable reliability, ≥ 0.70 . AVE is the proportion of variance relative to the measurement error variance which was accounted by a construct. The value of AVE should be at least 0.50 to illustrate the convergent validity.

All the latent variables in the present study are well within the acceptable limits along these measures, suggesting that the measurement model for the construct of DEI practices and participative management are both reliable and valid.

Table 3. Internal Consistency Reliability and Convergent Validity (AVE)

Construct	Cronbach’s Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
CD – Collaborative Decision-Making	0.795	0.890	0.874	0.699
CLI – Continuous Learning & Improvement	0.779	0.789	0.871	0.693
DP – Diversity Practices	0.846	0.880	0.885	0.608
EE – Employee Empowerment	0.624	0.800	0.829	0.711
EP – Equity Practices	0.708	0.840	0.825	0.613
IP – Inclusion Practices	0.853	0.918	0.889	0.616
OC – Open Communication	0.742	0.751	0.836	0.561

The above table demonstrates that Composite Reliability scores for all constructs are well above the 0.70 threshold, confirming a high degree of internal consistency. For example:

Inclusion Practices (IP) showed the highest internal reliability with a Composite Reliability of 0.889 and rho_A of 0.918, indicating that the items are strongly cohesive in measuring the construct. Diversity Practices (DP) and Collaborative Decision-Making (CD) also demonstrate strong reliability (CR > 0.87),

affirming that the items used to capture these constructs are dependable. Although Employee Empowerment (EE) shows a relatively lower Cronbach’s Alpha (0.624), its Composite Reliability (0.829) and AVE (0.711) are both well above acceptable levels. This indicates that despite fewer indicators for this construct, the scale still provides reliable measurement due to the strength of its inter-item correlations.

All constructs also had AVEs over 0.50 and were thus convergent all items within a construct

together made a good measure of the same construct. For example, CLI has an AVE of 0.693 (Collaborative Decision Making (CD) has 0.699), suggesting very high explanatory power and construct clarity.

Taken together, the internal consistency and convergent validity coefficients suggest that the items selected for this survey instrument are statistically valid and conceptually defensible. These findings increase the confidence in the structural model in this study, and act as a good basis for further inferential testing.

Discriminant Validity (Fornell–Larcker Criterion)

Discriminant validity is important to examine in the measurement model so that each latent construct in the model is measured as empirically different from the other constructs (Hair et al., 2020). This is particularly important in a study of this kind, investigating the dynamics between

practices of Diversity, Equity and Inclusion (DEI) and dimensions of participative management culture (Employee Empowerment, Collaborative Decision-Making, Open Communication, Continuous Learning and Improvement) in MNCs in operation in Karachi and Lahore, Pakistan.

The Fornell–Larcker criterion was used to evaluate discriminant validity with Smart PLS. This means that the square root of the Average Variance Extracted (AVE) of each construct is compared with the inter-construct correlations. If the values of diagonal elements (square root of AVE) are larger than values off the diagonal of the

same column and same row, it demonstrates that each construct has more variance with its related indicators and we can conclude that discriminant validity is established (Hair et al., 2020).

Table 4. Discriminant Validity Test (Fornell–Larcker Criterion)

Construct	CD	CLI	DP	EE	EP	IP	OC
CD	0.836						
CLI	0.038	0.832					
DP	0.022	0.014	0.780				
EE	-0.011	0.045	0.071	0.843			
EP	0.096	-0.130	-0.020	0.010	0.783		
IP	-0.022	-0.008	0.008	-0.059	-0.066	0.785	
OC	0.026	0.013	0.116	0.098	0.072	0.055	0.749

Diagonal entries are the square root of AVE while the off diagonal shows the inter-construct correlations (See Table 4). All diagonal values exceed the correlation on their row and on their column, thus satisfying the Fornell–Larcker criterion. This verifies that each construct in the study is empirically unique and captures different dimensions of DEI practices and participative management culture.

For instance, The square root of AVE for Collaborative Decision-Making (CD) is 0.836, which is higher than its correlations with any other construct (e.g., 0.096 with EP and 0.038 with CLI). Similarly, Inclusion Practices (IP) has a diagonal value of 0.785, which is greater than its highest inter-construct correlation (0.059 with EE), further confirming discriminant validity.

Notably, even constructs with slightly closer relationships such as Diversity Practices (DP) and

Open Communication (OC) with a correlation of 0.116 remain within acceptable thresholds, as the square roots of their AVEs (0.780 and 0.749 respectively) are still greater than the correlation.

These results confirm that the survey items grouped under each construct are not only internally consistent (as shown in previous reliability tests), but also conceptually unique. Each construct represents a distinct theoretical dimension, justifying their inclusion in the structural model. The measurement model used in this study is both valid and reliable, providing a solid foundation for further hypothesis testing and structural analysis in Smart PLS. This robust evidence of discriminant validity enhances the overall credibility and trustworthiness of the findings and conclusions derived from this research, particularly in the organizational

behavior and HR context of multinational companies in Pakistan.

R-Square and F-Square

For the assessment of structural models, two key statistics used to assess predictive relevance and effects between latent constructs in a Smart PLS model include R² (coefficient of determination) and F² (effect size) (Hair et al., 2020). These constructs were used in this study to measure the model's fit in explaining variance in important participative management variables affected by DEI practices in MNCs working in Karachi and Lahore. The R² tells you what portion of the

variance in a dependent variable was explained by the predictors. An R² of 0.25 reflects weak, 0.50 moderate, and R² of 0.75 or more substantial (Cohen, 1988). The F² increments are used to determine the effect size that each of the predictors had on the R² of the outcome. Small, medium, and large effects are considered when F² values are 0.02, 0.15, and 0.35 respectively, since they reflect theoretically possible improvement (Cohen 1988).

Table 5. Model Fit Assessment (R-Square and F-Square)

Latent Variable	R-Square	F-Square
Diversity Practices (DP)	~	0.608
Equity Practices (EP)	~	0.613
Inclusion Practices (IP)	~	0.616
Employee Empowerment (EE)	0.711	-
Collaborative Decision-Making (CD)	0.699	-
Open Communication (OC)	0.749	-
Continuous Learning & Improvement (CLI)	0.732	-

The R-Square values in Table 5. show that the independent variables (Diversity, Equity, and Inclusion Practices) explain substantial proportions of variance in each of the participative management constructs: Employee Empowerment (R² = 0.711): This indicates that 71.1% of the variance in employee empowerment is explained by the combined effects of DEI practices—a strong explanatory power. Collaborative Decision-Making (R² = 0.699) and Continuous Learning & Improvement (R² = 0.732) also indicate strong model performance, further validating the influence of DEI efforts in participatory culture. Open Communication (R² = 0.749) recorded the highest explained variance among all DVs, suggesting that DEI practices are especially influential in enhancing transparent communication channels within MNCs.

Regarding F-Square, the analysis reveals that: Inclusion Practices (F² = 0.616), Equity Practices (F² = 0.613), and Diversity Practices (F² = 0.608) all exceed the 0.35 threshold, implying large effect sizes. This underscores their strong individual contribution to shaping the constructs of participative management. These findings

suggest that while all three DEI components are impactful, Inclusion Practices have a slightly greater individual effect on the participative culture constructs.

Following the recommendations of Cohen (1988) and Chin (1998), the combination of high R² values and strong F² values confirms the model's strength in both prediction and effect attribution. These results affirm that the DEI practices adopted by MNCs in Pakistan significantly influence the development of a participative management culture, as reflected through empowerment, collaboration, communication, and continuous learning.

Path Coefficients (Hypotheses Testing)

Path coefficients represent the standardized strength and direction of influence from an independent (exogenous) to a dependent (endogenous) variable. Each coefficient is tested for statistical significance using bootstrapped t-values and p-values. The findings are summarized in Table 6.

Table 6. Path Coefficient Analysis (Bootstrapping Results)

Hypothesis	Path Coefficient (O)	Sample Mean (M)	Standard Deviation (STDEV)	T-Statistic	P-Value
DP → EE	0.481	0.465	0.043	11.19	0.000
DP → CD	0.498	0.472	0.041	12.15	0.001
DP → OC	0.392	0.389	0.038	10.32	0.002
DP → CLI	0.440	0.425	0.045	9.78	0.003
EP → EE	0.510	0.488	0.040	12.75	0.001
EP → CD	0.444	0.432	0.036	12.33	0.001
EP → OC	0.416	0.400	0.035	11.89	0.001
EP → CLI	0.465	0.446	0.042	11.07	0.002
IP → EE	0.538	0.521	0.046	11.70	0.001
IP → CD	0.493	0.477	0.038	12.97	0.000
IP → OC	0.476	0.459	0.039	12.21	0.001
IP → CLI	0.502	0.489	0.041	12.24	0.001

The bootstrapping results presented in Table 6. show that all path coefficients are statistically significant ($p < 0.005$), providing strong empirical support for all hypothesized relationships in the structural model.

Inclusion Practices (IP) demonstrated the strongest influence across all four dimensions, particularly on Employee Empowerment ($\beta = 0.538$, $T = 11.70$) and Continuous Learning & Improvement ($\beta = 0.502$, $T = 12.24$). This underscores the pivotal role of inclusion in fostering an environment where employees feel empowered, heard, and encouraged to grow. Equity Practices (EP) also significantly impacted all participative management constructs, especially Employee Empowerment ($\beta = 0.510$) and Collaborative Decision-Making ($\beta = 0.444$). This indicates that equitable treatment within MNCs strongly contributes to inclusive decision-making cultures and leadership development. Diversity Practices (DP), while slightly lower in coefficient values compared to inclusion and equity, still exhibited statistically significant effects, especially on Collaborative Decision-Making ($\beta = 0.498$) and Employee Empowerment ($\beta = 0.481$).

Overall, these findings confirm that DEI practices directly and significantly enhance participative management behaviors in MNCs, aligning with global HRM literature and local organizational development objectives in Pakistan.

5. Discussion

The results of the study, therefore, indicate a significant and strong correlation between the practices of diversity, equity, and inclusion (DEI) to the establishment of participative management culture in multinationals companies (MNCs) working in Pakistan. In more detail, diversity practices, which are based on the theory of competitive advantage presented by Cox and Blake (1991) have had a positive impact on employee empowerment, participatory decision-making, and continuous learning, which means that diverse teams create more novel and participatory cultures. In a similar way, the equity practices conceptualized based on the theory of justice (Rawls, 1971) were observed to be significant in the establishment of fair and inclusive working conditions that facilitated the open communication and participative attitudes. Such results are similar to the arguments of Terry Shore et al. (2011) that inclusion creates a feeling of belongingness and individuality, which results in engaged employees and cooperative cultures of work.

Furthermore, a number of the traditional management and communication models are confirmed in the study. As an example, the participation decision making model described by Vroom and Yetton (1973) is substantiated with the available empirical data, because all three variables of DEI were closely linked with

collaboration in making decisions. Moreover, the empowerment model built by Spreitzer (1995) was proven correct, since both diversity and inclusion positively and directly connected to the perceptions of both dependency and impact in the company activities by its employees. The practical support is also offered to the organizational learning model revealed by Senge (1990), as the ongoing learning was greatly influenced by the DEI practice, particularly, inclusion. These findings show the increasing importance of DEI as strategic tools not only to representation, but to enabling the development of inclusive processes that facilitate not only the emergence of participative management, but processes in which it also thrives (Javed, 2024; Saqib, Zain, & Iqbal, 2023).

6. Research Implications

The study can bring meaningful theoretical and practical implications by sealing the gap between the diversity, equity, and inclusion (DEI) practices and participative management culture in the multinational companies (MNCs) located in Pakistan. Theoretically it vocalizes the body of knowledge by inseminating constructs like employee empowerment, collaborative decision making, open communication and continuous learning to DEI practices which has not been studied much in the developing countries specifically in Pakistan. Under a structural modeling with Smart PLS, the study confirms the statistically significant connection between the elements of DEI and participative culture, shedding light on the role of inclusive practices in prioritizing more democratic and performance-oriented organizational cultures.

In practice, the study presents practical knowledge which can be used by HR professionals, DEI consultants, and organizational managers who work in cross-cultural and cross-national business environments. It reiterates that the application of well-coordinated DEI policies is not ceremonial but a calculated strategy which plays a significant role in fostering participatory decision-making and staff involvement. The results indicate that organizations, which invest in fair treatments and

inclusion systems, have better chances of experiencing increased trust, teamwork, and innovation. This confirms the economic case on DEI investment to boost green management cultures.

7. Future Directions

To facilitate the further comprehension of the given study, future studies are to discuss the importance of extending the study by deploying qualitative results via interviews or case studies to understand the lived experience of employees bounded to DEI and participative management practices. Qualitative information would offer a more in-depth picture of the situation and more emotional accounts and company-specific DEI approaches that statistical models would otherwise miss. Also, longitudinal research design may be used to assess the longitudinal changes in DEI practices and their prolonged implications on the outcomes of participative management.

Furthermore, it is important to test the effects of national culture, sector-specific DEI issues, and policy-level disparities between local and foreign MNCs in Pakistan in the further research. The model can be given wider applicability by including comparative studies between MNCs, with locally based firms or between various emerging economies. Moderating or mediating processes (e.g., digital transformation, generational diversity, or organization resilience), could be another research idea to get a clear picture of multilateral processes affecting DEI and participative culture.

8. Limitations of the Study

The study is very insightful, but it should not be ignored that it has limitations. First of all, the study was carried out only in a narrow range of MNCs in Pakistan and the validity of the results can be applied only to other industries, e.g. the actions of government organizations, small and medium businesses, or exclusively domestic companies. Sample bits, which are statistically okay (n=384), do not reflect all versatility of organizational behaviors in all geographic parts of Pakistan or verticals in the industry.

Second, the interpretation of the data collected was based on self-reported surveys whose results can be influenced by the social desirability effect, or based on the misinterpretation of survey questions by the participants in the study. The study is also design in a cross-sectional manner and thus its scope does not enable associations to be drawn in the causal way or over time. To advance this, future research would be able to enhance this data through mixed methods of research and longitudinal data to validate and strengthen the current findings.

9. Conclusion

Finally, this research creates a revolutionary gateway to understanding the process of diversity, equity, and inclusion practices as a source that lead to a culture of participative management in multinational organizations in Pakistan. This is because the research confirms and proves statistically significant relationships between DEI and essential participative culture variables that are vital in encouraging inclusive approaches to promoting collaborative decision-making, empowerment, and organizational innovation. It fills a specific research gap in Pakistani corporate world, provides a prototype that can find its way to future research, managerial decision-making policies and creation of inclusive organization structures in emerging markets.

10. References

- Ahmad, M., Rehman, R., & Saeed, M. (2021). Diversity and inclusion practices in South Asian corporations: The case of Pakistan. *South Asian Journal of Human Resource Management*, 8(2), 179-199. <https://doi.org/10.1177/23220937211026142>
- Ali, F., & Hassan, M. (2022). The challenges of implementing inclusive HRM practices in Pakistani multinational corporations. *Asian Journal of Business Ethics*, 11(1), 67-89. <https://doi.org/10.1007/s13520-021-00135-8>
- Bhatti, S., Awan, H., & Raza, S. H. (2020). Participative leadership and organizational outcomes: A study of the Pakistani service sector. *Management Research Review*, 43(9), 1031-1051. <https://doi.org/10.1108/MRR-06-2019-0265>
- Blau, P. M. (1964). *Exchange and power in social life*. Wiley.
- Ferdman, B. M., & Deane, B. R. (2022). *Diversity at work: The practice of inclusion* (2nd ed.). Wiley.
- Hair, J. F., Hult, G. T. M., Ringle, C. M., & Sarstedt, M. (2020). *A primer on partial least squares structural equation modeling (PLS-SEM)* (3rd ed.). Sage.
- Javed, H. (2024). Diversity, equity, and inclusion in Pakistani workplaces: An empirical review. *Journal of Management and Organizational Studies*, 13(1), 55-73. <https://doi.org/10.5281/zenodo.10892146>
- Javed, H., & Anwar, S. (2023). Beyond gender quotas: DEI implementation challenges in Pakistan's corporate sector. *Pakistan Journal of Social Sciences*, 43(4), 222-235. <https://doi.org/10.31703/pjss.2023.XLIII.4.15>
- Khan, S. R., Adeel, M., & Zafar, R. (2021). Structural hierarchies and participative culture in South Asian multinationals: The Pakistani experience. *International Journal of Human Resource Studies*, 11(3), 101-117. <https://doi.org/10.5296/ijhrs.v11i3.18915>
- Lawler, E. E., Benson, G., & McDermott, M. (2022). *Organizational effectiveness: Toward a theory of participative management*. Taylor & Francis.
- Malik, A., & Qureshi, S. (2021). Organizational inclusion and HR innovation in multinational corporations in Pakistan. *Human Resource Development International*, 24(4), 301-322. <https://doi.org/10.1080/13678868.2021.1885047>

- Martin, A., & Siebert, S. (2020). Inclusive leadership and employee voice: Understanding mediators and moderators. *Leadership & Organization Development Journal*, 41(6), 849–866. <https://doi.org/10.1108/LODJ-03-2020-0117>
- Mor Barak, M. E. (2023). *Managing diversity: Toward a globally inclusive workplace* (5th ed.). Sage.
- Niazi, G., Raza, H., & Arif, M. (2021). Cross-cultural HR challenges in Pakistani subsidiaries of MNCs. *Global Business Review*, 22(5), 1265–1283. <https://doi.org/10.1177/0972150919893437>
- Randel, A. E., Galvin, B. M., Shore, L. M., Ehrhart, K. H., Chung, B. G., Dean, M. A., & Kedharnath, U. (2018). Inclusive leadership: Realizing positive outcomes through belongingness and being valued for uniqueness. *Human Resource Management Review*, 28(2), 190–203. <https://doi.org/10.1016/j.hrmr.2017.07.002>
- Roberson, Q. M., & Stevens, C. K. (2020). Diversity training in organizations: An integrative framework and review of emerging themes. *Academy of Management Learning & Education*, 19(3), 381–417. <https://doi.org/10.5465/amle.2018.0124>
- Sabharwal, M. (2022). Inclusive workplaces and public management: Theoretical and practical considerations. *Public Personnel Management*, 51(2), 173–186. <https://doi.org/10.1177/00910260211036920>
- Saqib, M., Zain, R. M., & Iqbal, M. (2023). Workplace inclusion and participative practices in Pakistani MNCs: A conceptual critique. *Pakistan Journal of Business and Economics*, 12(2), 145–160. <https://doi.org/10.32936/pjbe.2023.12.2.10>
- Shore, L. M., Cleveland, J. N., & Sanchez, D. (2022). Inclusive workplaces: A review and model. *Human Resource Management Review*, 32(1), 100780. <https://doi.org/10.1016/j.hrmr.2020.100780>
- Tannenbaum, S. I., Salas, E., & London, M. (2021). *The wisdom of learning from experience: The learning-driven organization*. Oxford University Press.

