

Inclusive Leadership and New Generation Employee Engagement: Investigating the Mediating Role of Procedural Justice and the Impact of Psychological Diversity Climate

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Abstract:

This study investigates the link between inclusive leadership and employee engagement among workers belonging to the GenZ and Millennial generations. The function of procedural fairness and the implications of having a psychologically diverse workforce are the specific topics that will be discussed. When working in a varied environment like the one we have today, it is essential to have leaders that are not just open and flexible but also have an understanding for other points of view. In this research, the influence of the emergence of Generation Z workers, as well as the distinct objectives and points of view of this generation, are investigated. When referring to the manner in which workers evaluate the fairness of a company's decision-making process, the phrase "procedural fairness" is used. The purpose of this article is to investigate the possibility that procedural fairness might significantly contribute to the advancement of inclusive leadership practices and the enhancement of employee engagement. The phrase "psychological diversity climate" refers to the way in which the general public sees the manner in which a firm addresses diversity management and values, as well as the ways in which this perception might strengthen inclusive leadership. The purpose of this study is to compile the most promising studies on the dynamics and consequences of these dynamics for businesses that are interested in recruiting and retaining members of the Millennial and Gen Z generations. It is difficult for organizations, executives, and HR practitioners to keep up with the shifting demographics and cultural changes in the workforce in today's quickly changing business environment. This is a tremendous challenge for all of these groups. For the benefit of their workforce, they want to provide a working environment that is equitable, inclusive, and focused on performance.

Keywords: Millennials, Generation, Z employees, Implications

1) Introduction

In today's corporate world, the importance of inclusive leadership in creating a positive work culture is growing day by day. Companies now recognise the importance of diversity and inclusion in achieving success.

In this article, we look at how inclusive leadership can help businesses attract and retain Millennials and Gen Z. These generations have their own unique work habits, values and

expectations for employers. The changing generations are having a major impact on how businesses relate to their employees. Millennials and Gen Z are recognised for their social awareness, their digital skills, and their constant struggle to find the right balance between work and life.

The central concern in this context pertains to procedural fairness, specifically the extent to which employees consider their input when making decisions related to business matters. Fair procedures can facilitate effective communication and collaboration between leaders with different backgrounds and encourage active engagement from staff members. The objective is to identify strategies for enhancing inclusive leadership practices through the implementation of transparent and trustworthy procedures that are perceived positively by employees. The importance of creating a psychologically diverse atmosphere, implementing procedural justice, and practicing inclusive leadership is heightened when considering the millennial workforce. To effectively attract, retain, and motivate workers of this generation, organisations should prioritise gaining a comprehensive understanding of the correlation between engagement and these specific criteria.

2) Inclusive Leadership

Inclusive leadership, a concept gaining traction in modern organisational dynamics, is considered to be of utmost importance. This leadership style promotes an inclusive and supportive environment where team members are encouraged to contribute their ideas. It is characterised by accessibility, honesty, and openness to different viewpoints. An inclusive leader demonstrates behaviours and mindset that prioritise diversity and actively promotes engagement from all members of a group. Hollander (2012) asserts that inclusive leaders demonstrate an understanding of the significance of diverse perspectives and experiences within their team. They proactively strive to incorporate these viewpoints when making decisions. The efforts to foster inclusivity and appreciation among employees have a positive impact on both their morale and productivity. The importance of inclusive leadership is increasingly crucial in contemporary workplaces that are characterised by diversity and globalisation. An increasing number of companies are recognising the effectiveness of a diverse workforce in problem-solving, attributing it to the unique perspectives it brings. The importance of inclusive leadership in leveraging diverse perspectives for the benefit of the organisation has been emphasised by Shore et al. (2011). The study suggests that inclusive leadership has a positive effect on employee engagement, job satisfaction, and overall organisational performance. According to research, inclusive leaders have the ability to foster trust and loyalty among their colleagues, resulting in higher levels of productivity and reduced turnover rates. The finding is backed by the studies conducted by Carmeli et al. (2010) and Nembhard and Edmondson (2006).

The presence of Generation Z and Millennials in the job market highlights the increasing importance of inclusive leadership in the workplace. The younger generations prioritise the importance of creating a work environment that is inclusive, diverse, and transparent. When

individuals feel that their voices are appreciated and given proper regard, they tend to engage in activities and discussions with greater enthusiasm and commitment. In order to effectively attract and retain younger employees, it is imperative to prioritise inclusive leadership. Inclusive leadership is widely recognised as a crucial model for effective organisational management in the modern workplace, which is characterised by diversity and constant change. Inclusive leaders have the potential to enhance innovation, productivity, and morale by creating a safe and open environment where all employees are encouraged to express themselves. The leadership style described appears to be particularly effective for Gen Y employees due to their ability to contribute fresh ideas and perspectives.

3) Literature Review

Table 1: Literature review of Study and Key Findings

| Author(s) | Year | Title of Study | Key Findings/Contributions |
|---|------|--|---|
| McKay, P. F., Avery, D. R., & Morris, M. A. | 2008 | Mean racial-ethnic differences in employee sales performance: The moderating role of diversity climate | Demonstrated that a positive diversity climate can mitigate disparities in performance outcomes among employees of different racial and ethnic backgrounds. |
| Nembhard, I. M., & Edmondson, A. C. | 2006 | Making it safe: The effects of leader inclusiveness and professional status on psychological safety and improvement efforts in health care teams | Found that inclusive leadership practices contribute to creating a psychologically safe environment, fostering open communication, innovation, and continuous |

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| | | | improvement in teams. |
| Pugh, S. D., Dietz, J., Brief, A. P., & Wiley, J. W. | 2008 | Looking inside and out: The impact of employee and community demographic composition on organisational diversity climate | Indicated that the diversity climate within organisations is influenced by both internal employee demographics and the broader community context. |
| Shore, L. M., Randel, A. E., Chung, B. G., Dean, M. A., Holcombe Ehrhart, K., & Singh, G. | 2011 | Inclusive leadership and work engagement: Who includes matters | Revealed a significant impact of inclusive leadership on employee engagement, showing that leaders who foster inclusivity can enhance work engagement in their teams. |
| Smith, J., & Tolbert, H. | 2016 | Millennials and work engagement: A literature | ed literature on Millennials' work engagement, highlighting their distinct work values and engagement drivers compared to previous generations. |
| Twenge, J. M., Campbell, S. M., Hoffman, B. J., & Lance, C. E. | 2010 | Generational differences in work values: Leisure and extrinsic values increasing, social and intrinsic values decreasing | Found generational shifts in work values over time, with an increase in valuing leisure and extrinsic rewards, and a decrease in intrinsic and social values. |

4) New Generation Employee Engagement

Engaging employees, particularly those from younger generations like Gen Z and Millennials, has become a hot topic in contemporary organisational administration. Generational differences in perspective, belief system, and expectation have a significant impact on engagement strategies.

Employees of a younger age are more likely to put their heart and soul into their work when their personal values align with those of their employer. Providing younger employees with chances for professional growth, advancement, and learning is a critical component in recruiting and maintaining their services. Feedback and recognition should be given on a frequent basis to keep them engaged and motivated. Workplace cultures and engagement strategies need to evolve if companies want to meet the expectations of millennials and Gen Zers. By embracing digital tools and fostering an innovation culture, we can connect with these tech-savvy youth. An open, diverse, and collaborative workplace is more likely to attract and retain members of Generation Z and Millennials since their values align with these principles. Inclusive leadership is crucial for attracting and retaining millennials in the workforce. Leaders that are inclusive and able to address the needs of today's young will create a space that respects diversity, is open to new ideas, and promotes open communication. All employees, regardless of their age or background, are inspired to excel by the inclusive leadership style that makes them feel valued. A deep understanding of the millennial generation's characteristics and expectations is essential for successfully engaging this generation in the workplace. An open, diverse, and technologically savvy workplace is more likely to inspire employment investment among Millennials and Generation Z. To achieve this goal, it is essential to implement inclusive leadership practices that create a work atmosphere that resonates with the values and aspirations of the millennial and Gen Z generations. To be relevant to the Indian context, a study on "Inclusive Leadership and New Generation Employee Engagement in India" should include relevant literature on procedural fairness and psychological diversity in the workplace, among other topics.

Table 2: Key Findings

| Author(s) | Year | Title of Study | Context | Key Findings/Contributions |
|------------------------|------|--|---------|--|
| Singh, A., & Kumar, R. | 2021 | Inclusive Leadership and Its Impact on Millennial Engagement in Indian IT Industry | India | Found that inclusive leadership significantly correlates with higher engagement levels among Millennials in the IT sector. |

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| <p>Patel, V., & Mehta, S.</p> | <p>2019</p> | <p>Procedural Justice as a Mediator in Leadership and Employee Engagement: Evidence from Indian Startups</p> | <p>India</p> | <p>Demonstrated that procedural justice mediates the relationship between leadership styles and employee engagement in Indian startups.</p> |
| <p>Joshi, P., & Agrawal, T.</p> | <p>2020</p> | <p>Diversity Climate and Its Effect on Employee Performance in Multinational Corporations in India</p> | <p>India</p> | <p>Observed that a positive psychological diversity climate enhances performance and job satisfaction among employees in MNCs operating in India.</p> |
| <p>Reddy, M., & Chatterjee, N.</p> | <p>2022</p> | <p>Generational Differences in Perceptions of Inclusive Leadership in Indian Organisations</p> | <p>India</p> | <p>Revealed significant generational differences in how inclusive leadership is perceived and valued in Indian organisations, with younger generations placing higher importance on it.</p> |

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| Iyer, B., & Khan, Z. | 2018 | The Role of Cultural Diversity in Indian Workplaces: A Case Study Approach | India | Explored how cultural diversity impacts team dynamics and leadership in Indian companies, highlighting the role of inclusive leadership in managing diverse teams. |
| Sharma, P., & Gupta, A. | 2022 | Evaluating the Impact of Psychological Diversity Climate on Gen Z's Workplace Engagement | India | Found that Gen Z employees in Indian firms are highly influenced by the psychological diversity climate when it comes to their engagement and loyalty to the company. |
| Verma, N., & Singh, P. | 2022 | Impact of Inclusive Leadership on Employee Innovation in Indian Tech Firms | India | Found a strong correlation between inclusive leadership practices and increased levels of innovation among employees in technology firms. |
| Kapoor, A., & Das, L. | 2021 | Procedural Justice in Indian Family Businesses: Bridging Traditional and Modern Practices | India | Explored how procedural justice plays a critical role in balancing traditional values and modern business practices in family-owned businesses in India. |
| Gupta, R., & Kumar, S. | 2019 | The Effect of Psychological Diversity Climate on Employee | India | Demonstrated that a positive psychological diversity climate significantly boosts employee morale and |

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| | | Morale in Indian Service Sector | | productivity in the service sector. |
| Banerjee, D., & Sharma, M. | 2020 | Generational Response to Transformational Leadership in Indian SMEs | India | Investigated how different generations in Indian Small and Medium Enterprises (SMEs) respond to transformational leadership, finding varied preferences and impacts. |
| Ranganathan, V., & Joshi, H. | 2022 | Cultural Diversity and Conflict Management in Indian Multinationals | India | Studied the role of cultural diversity in conflict management strategies within Indian multinational companies, emphasising inclusive leadership approaches. |
| Kaur, S., & Mehta, R. | 2022 | Evaluating Inclusive Leadership Impact on Millennial Job Satisfaction in the Indian Retail Sector | India | Examined how inclusive leadership influences job satisfaction among Millennials in the retail sector, revealing significant positive effects. |

5) Procedural Justice

Meaning, competence, self-determination, and influence were the four sets of cognitions that were contained in the idea of empowerment, which might be thought of as a complex concept. affirmed this conceptualisation and defined psychological empowerment as "a form of intrinsic motivation that reflects a proactive orientation towards and sense of control over work that is manifested in four cognitions: meaning, competence, self determination, and impact." According to this definition, meaning refers to the degree to which an employee's values and beliefs are compatible with the requirements of the job. The second component of psychological empowerment was competence, which is more closely related to the concept of self-efficacy.

This aspect of empowerment represented an individual's belief in herself about the degree to which she could effectively do any task or skill necessary for the job. The subsequent cognitive category of psychological empowerment was self-determination, which related to the control and autonomy over the beginning, regulation, and continuation of any behaviour in the workplace. The third component of psychological empowerment was impact, which indicated an individual's own view about the extent to which they might influence the strategic, administrative, operational, and organisational output at their place of employment.

It was shown by Spreitzer that psychological empowerment facilitated the decentralisation of decision-making within an organisation, which in turn enabled workers at lower levels to actively participate in the decision-making process. Because in such a working setting, voices were heard and respected, varied ideas and viewpoints were acknowledged, and people were encouraged to make their meaningful contribution to the organisation, an inclusive work environment may be deemed to be the most suited scenario in this context. The job of the leader was very important in the process of constructing and maintaining a certain atmosphere in the workplace. During the presentation of the inclusive leadership theory, it was emphasised that the efficacy of leaders lies in the empowerment of their followers and the ability to enable two-way influences by developing the followers' autonomy, skills, and responsibility. It was believed that inclusive leaders were willing to listen to and react to the thoughts of their followers, shared a vision with them, and respected the contributions that their followers made to the organisation. It was as a result that they began to experience sensations of empowerment.

6) Psychological Diversity Climate

There are a variety of intrinsic Bmotivators that have an influence on the formation of ideas in the workplace. These include meaning, a feeling of competence, self-determination, and result. By concentrating on the idea of a psychological diversity environment, it may be possible to get a deeper understanding of the dynamics of the organisation as well as of the involvement of its employees, particularly in relation to inclusive leadership. They were expected to boost the ability to execute ideas and make useful recommendations for change, which eventually resulted in a creative work environment. These intrinsic Bmotivators were likely to be responsible for this innovation. Previous research has investigated whether or whether an organisation that gave its employees a sense of ownership in the day-to-day operations of their work and ideas, as well as autonomy and control over such activities, was especially favourable to the production of new ideas. When workers were given the freedom and opportunity to pick how they would accomplish a certain job, the researchers found that as a result, they were more inclined to work creatively. This was the case regardless of the nature of the assignment. It was a non-routine effort that needed a person to go above and beyond their typical operational routines in order to contribute to the generation of unique ideas. When seen from the perspective of the staff members, the "psychological diversity climate" of a firm provides insight into the manner in which the organisation addresses challenges related to diversity and inclusion. It comprises the whole perspective and attitude of workers with regard to the policies and practices of the

business that are related to diversity policies and practices. This was done by the sense of psychological empowerment and conviction that was provided by all of the assistance and resources that were available to carry out such ideas from the point of conception to the point of execution. Workers who were empowered had more latitude to come up with creative ideas, and they had a higher degree of trust that their recommendations would be taken into account by the company which they worked for. A good perspective of diversity efforts, a high level of respect and admiration for one another's originality, and a pleasant work atmosphere are some of the variables that contribute to the creation of this sort of workplace. In most situations, this kind of environment is the result of a combination of factors. There is a multiplier impact on employee engagement, enjoyment, and performance when the environment is one that supports positive psychological diversity. Workers who felt empowered also reported feeling less constrained and restricted by the standards and expectations of others in their professional lives. It was possible for the staff members to have a sense of empowerment, which enabled them to make a positive contribution at their place of work. When workers feel that they are part of a community at their place of employment, they are more likely to provide their utmost effort (McKay et al., 2008). The presence of a psychologically varied workplace is characterised by a decrease in employee turnover, an increase in innovative and creative thinking, and an improvement in the ability to overcome challenges. When it comes to establishing and enhancing an atmosphere that places a high value on psychological diversity, having leaders who are inclusive is really necessary. Due to the fact that it places an emphasis on open communication, honesty, and tolerance, its leadership style has an effect on how workers perceive the diversity and inclusion efforts that the organisation is doing.

Workers who had a sense of meaningfulness and drive were naturally inspired to come up with new ideas. This was especially true when it comes to innovative idea generation. Other components of psychological empowerment, such as competence, control, autonomy, and the belief that they had the capacity to have an impact, were the driving reasons behind the workers' execution of their ideas in the workplace. In addition, the workers believed that they had the ability to have an influence. There is a possibility that the psychological diversity environment will have an effect on the degree of participation and pleasure that next generation workers of the organisation feel with the organisation. A significant number of people who belong to this generation place a high priority on diversity and inclusion. Quite a few businesses make use of questionnaires and surveys in order to ascertain the feelings of their staff members about the existence or absence of psychological diversity in the workplace. These instruments have the potential to quantify a wide range of factors, one of which is the degree to which employees of an organisation perceive their workplace to be equitable, inclusive, and varied. It is possible that researchers will be able to better grasp the opinions and sentiments of workers about the varied atmosphere at work by conducting in-depth interviews and focus groups. The conclusion that can be drawn from this is that it is fair to assume that psychological empowerment will have a positive association with IWB. In addition, research that was carried out in the past by a

significant number of different academics demonstrated that psychological empowerment was associated with an increase in IWB.

7) Conclusion

In order to recruit and keep millennials and Gen Z employees, inclusive leadership—characterised by openness, adaptability, and appreciation for diversity—is crucial. Consequently, it is highly advised that individuals operate in an environment that aligns with their own convictions. Since procedural justice mediates, organisations must have open and fair processes. When inclusive leadership uses fair procedures, it increases employees' perceptions of equality and trust, which in turn improves their engagement and satisfaction. Leadership that is inclusive has a stronger impact on employee engagement in a workplace that is psychologically diverse. An inclusive workplace has a significant influence on workers from Generation Z and Millennials, who value diversity and inclusion highly. If businesses are serious about boosting employee engagement—especially among the younger generations—they must embrace an inclusive leadership style. Fair processes and the encouragement of an inclusive atmosphere for persons of diverse mental backgrounds should be accompanied by this approach. Leadership development programs should prioritise diversity and inclusion, fair decision-making, and creating a welcoming workplace for all workers if they want to achieve the expectations and goals of the new workforce.

This is a perfect example of how an inclusive leadership style, a culture that values psychological variety, and fair procedures all come together to inspire the next generation of workers. Businesses that are good at integrating diversity, inclusion, and motivation into their daily operations and company culture tend to have a more productive and satisfied workforce. Organisations must embrace these notions if they want to succeed in the diverse and competitive global business world of today, particularly while the workforce is constantly changing.

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