The Effect of DEI on Workforce Outcomes Mediation by VRIO in Employee Performance: A PLS-SEM Approach

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Abstract
This study examined the effect of diversity, equity, and inclusion (DEI) practices on employee performance, with a focus on the mediating role of VRIO-based human capital attributes, using a partial least squares structural equation modeling (PLS-SEM) approach. Data were collected from 500 employees through structured questionnaires measuring equity, inclusion, VRIO dimensions (valuable, rare, inimitable, organized), and employee performance outcomes including moral engagement, productivity/innovation, and retention commitment. Measurement model results demonstrated high reliability and convergent validity, with Cronbach's alpha and composite reliability exceeding 0.9 and average variance extracted (AVE) values above 0.5. Discriminant validity was confirmed through heterotrait-monotrait (HTMT) and Fornell-Larcker criteria. Structural model analysis revealed that equity and inclusion practices had significant positive effects on employee performance, with the interactive effect further enhancing these outcomes. Mediation analysis showed that VRIO-based human capital partially mediated the relationships between DEI initiatives and performance outcomes, emphasizing the strategic role of human capital in translating fair and inclusive practices into tangible workforce effectiveness. The findings highlight that DEI practices not only promote fairness and inclusion but also serve as strategic levers to improve engagement, innovation, and retention, consistent with the Resource-Based View (RBV). Future research could explore longitudinal effects and moderating variables to deepen understanding of VRIO-driven performance outcomes.

Keywords: *DEI; equity; inclusion; VRIO; employee performance; human capital; PLS-SEM*

Introduction

The current organizational environment has transformed compliance-based human resource practices in terms of diversity, equity, and inclusion (DEI) into strategic goals that determine organizational effectiveness and sustainability. Modern organizations operating in globalized and competitive settings face complex workforce compositions with differences in gender, ethnicity, age, culture, education, and professional experience. Such heterogeneity must be complemented with fair operational systems and open organizational environments (Wilson & Davis, 2024; Anderson & White, 2024). Consequently, researchers and practitioners highlight the necessity to go beyond numerical diversity to unified DEI practices that determine the way employees feel valued, included, and engaged at the workplace.

Equity is associated with fairness of organizational procedures and outcomes, including transparent performance evaluations, equal pay for equal work, merit-based promotion, and equitable resource distribution (Pew Research Center, 2023). Equity-oriented practices convey the message that organizational decisions are made on competence and contribution rather than identity or favoritism. Conversely, inclusion indicates the degree to which employees feel psychologically safe, valued, and motivated to share their ideas and authentic selves at the workplace (Culture Amp, 2024). Equity and inclusion, when combined, establish the fundamental processes upon which organizations may create an environment allowing employees to contribute their utmost skills and energy.

Previous studies have shown positive attitudinal outcomes of DEI practices, such as job satisfaction, organizational commitment, trust, and employee engagement (DirectEmployers, 2024; Ferraro et al., 2023). Nonetheless, most literature has focused on psychological and relational outcomes, giving insufficient attention to employee performance as a key dependent variable. Employee performance is multidimensional, incorporating task performance, innovative behavior, organizational citizenship behavior, and engagement-related outcomes that directly influence organizational productivity and competitiveness (Fritz & Gresham, 2024).

The Resource-Based View (RBV) of the firm offers a strong theoretical framework to address this limitation. RBV assumes that organizational resources produce lasting competitive advantage when they are valuable, rare, inimitable, and well-organized (VRIO) (Gutierrez, 2023). Human capital is among the most critical strategic resources, particularly in service-based and knowledge-intensive industries. When human capital is fostered in a fair and inclusive manner, it may develop into a VRIO-qualified resource that promotes unique competencies, diversity of perspectives, relational trust, and socially complex organizational cultures (Herring, 2009).

Although the conceptual overlaps between DEI and RBV are recognized, empirical research linking equity and inclusion to the VRIO framework remains limited. In particular, VRIO attributes have seldom been modelled as mediators between DEI practices and performance outcomes. Viewing VRIO as a mediator allows examination of how DEI initiatives are converted into performance-creating capabilities, addressing calls in the strategic human resource management literature to unpack the black box between HR practices and performance (Odimarha & Kolade, 2024).

This study contributes to the literature by integrating DEI research with the RBV and VRIO framework. First, it expands the area of DEI research to include employee performance rather than attitudinal results only. Second, it frames VRIO-based human capital as an intermediary mechanism, demonstrating how DEI practices create strategic value. Third, it empirically investigates the interactive nature of equity and inclusion, providing a more detailed picture of how DEI dimensions contribute to workforce outcomes. The study addresses the following research objectives:

(1) To investigate the interaction of equity and inclusion practices in enhancing VRIO-based human capital attributes.

(2) To examine the mediating role of VRIO attributes between the equity-by-inclusion interaction and employee performance.

(3) To test variation in employee performance outcomes under DEI-driven human capital management.

2. Literature Review and Hypothesis Development

2.1 Equity Practices and VRIO-Based Human Capital

Equity practices are central to employees' perceptions of fairness and legitimacy in organizational contexts. Equity reflects the degree to which organizational procedures—including performance appraisal, payroll, promotion, and resource distribution—are transparent, fair, and merit-based (Pew Research Center, 2023). When employees perceive fair treatment, they develop trust in organizational systems and become more committed to contributing their talents and efforts, thereby increasing the overall value of human capital (Rodriguez et al., 2023).

In the RBV, equity has a direct impact on the organized aspect of the VRIO framework by ensuring that human capital is properly structured, coordinated, and aligned with strategic goals (Gutierrez, 2023). Fair systems enable organizations to optimize talent utilization and minimize inefficiencies arising from favoritism or discrimination. Additionally, fair practices enhance the valuable dimension of human capital by motivating employees to perform better, share knowledge, and engage in continuous learning (Seramount, 2024). Empirical research indicates that fairness in appraisal and compensation systems is positively associated with employee competence development and reduced counterproductive behaviors (Smith & Johnson, 2023). Accordingly, the following hypothesis is proposed:

H1: Equity practices have a positive impact on VRIO-based human capital attributes.

2.2 Inclusion Practices and VRIO-Based Human Capital

Inclusion practices foster a sense of belonging, psychological safety, and employee involvement in organizational decision-making. Inclusive workplaces enable employees to share ideas, attitudes, and identities without fear of marginalization, promoting interpersonal trust, cooperation, and openness (Sreedhar & Nayak, 2024). In the VRIO model, inclusion is particularly relevant to the rare and inimitable dimensions of human capital. Inclusive cultures, developed over extended periods through shared experiences and leadership support, are difficult for competitors to replicate (McKinsey & Company, 2020). Psychological safety and belonging promote deep relational connections and group learning that are neither easily codifiable nor transferable (Tajfel & Turner, 1979).

Studies indicate that inclusive climates increase employees' motivation to engage in creative problem-solving, knowledge sharing, and innovative behavior (Thompson et al., 2024). Accordingly:

H2: Inclusion practices have a positive impact on VRIO-based human capital attributes.

2.3 Equity–Inclusion Interaction and VRIO-Based Human Capital

Equity and inclusion are conceptually distinct yet mutually reinforcing constructs. Inclusion without equity can produce an emotionally warm yet procedurally unfair environment, whereas equity without inclusion may be perceived as impersonal and insufficient to foster deep organizational trust (McKinsey & Company, 2023). When equity and inclusion interact, they create an organizational atmosphere in which fairness is reinforced through belonging and participation, maximizing the strategic capability of human capital. This synergy enhances all

four VRIO dimensions, rendering human capital valuable, rare, socially complex, and well-organized (Herring, 2009).
H3: The interaction of equity and inclusion practices has a positive impact on VRIO-based human capital attributes.

2.4 VRIO-Based Human Capital and Employee Performance

Employee performance is multidimensional, encompassing task performance, innovative behavior, organizational citizenship behavior, and engagement-related outcomes (Fritz & Gresham, 2024). VRIO-based human capital enables employees to perform at higher levels by equipping them with the skills, motivation, and organizational support required to perform optimally. Such human capital encourages innovative behavior through knowledge sharing and creative experimentation in psychologically safe settings (Gupta, 2019), and employees in VRIO-enriched environments tend to exhibit greater organizational citizenship behavior and longer retention (Williams et al., 2023). Empirical research confirms that strategic human capital management contributes to employee productivity, innovation, and retention (WillWayPSL, 2024). Accordingly:
H4: VRIO-based human capital attributes have a positive impact on employee performance.

2.5 Mediating Role of VRIO-Based Human Capital

Although equity and inclusion practices may have direct effects on employee performance, their strategic benefits are more fully realized through the creation of VRIO-based human capital. Equity and inclusion establish the conditions under which human capital can develop into a strategic resource applicable to higher performance outcomes (Odimarha & Kolade, 2024). This study addresses calls in the strategic HRM literature to identify processes mediating the relationship between HR practices and performance outcomes by modelling VRIO as a mediating variable (Zhang et al., 2023). The following hypotheses are proposed:
H5: VRIO-based human capital mediates the relationship between equity practices and employee performance.
H6: VRIO-based human capital mediates the relationship between inclusion practices and employee performance.
H7: VRIO-based human capital mediates the relationship between the equity-by-inclusion interaction and employee performance.

2.6 Conceptual Framework

Based on the developed hypotheses, the conceptual framework proposes that equity and inclusion practices—both separately and interactively—influence employee performance via the mediating mechanism of VRIO-based human capital attributes. The model theorizes VRIO as a higher-order construct comprising valuable, rare, inimitable, and organized dimensions, consistent with the RBV. This framework provides the foundation for empirical testing using PLS-SEM.

3. Methodology

3.1 Research Design

This study employed a quantitative, explanatory, cross-sectional survey design to test the hypothesized relationships between DEI practices, VRIO-based human capital attributes, and employee performance. The research specifically examined the mediating role of VRIO (Valuable, Rare, Inimitable, and Organized) in explaining how equity and inclusion translate into improved workforce outcomes. Cross-sectional survey designs are widely used in organizational and human resource research for testing theoretically grounded causal models using perceptual data. The proposed model is grounded in the RBV, operationalized through the VRIO framework, which posits that equity and inclusion practices enhance the strategic value of human capital and, consequently, improve employee performance.

3.2 Measurement Instrument

Data were collected using a structured questionnaire developed from established literature and adapted to the context of DEI-driven workforce outcomes. All constructs were measured using a five-point Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree). The questionnaire comprised four main sections: Equity, Inclusion, VRIO attributes, and Employee Performance. The constructs and measurement items are presented in Table 1.

Table 1. Measurement Instrument

Construct	Code	Measurement Item
Equity	EPF	The performance review process in this organization is fair.
	EPW	Employees in this organization receive equal pay for equal work.

	EM	Promotions in this unit are based on merit, regardless of background.
	EC	Compensation decisions are fair and transparent, regardless of employees' identity.
Inclusion	IF	I feel welcome to express my true feelings at work (psychological safety).
	IIS	Members of my team fairly consider ideas and suggestions offered by others (fair decision-making).
	IB	People in my organization care about me as an individual (sense of belonging).
VRIO - Valuable	VEI	Equity and inclusion initiatives contribute to higher innovation and creativity.
	VR	Our DEI-managed talent pool enables us to respond more effectively to organizational challenges.
VRIO - Rare	RCC	Our organization's approach to managing diverse talent creates rare capabilities that few competitors possess.
	RHC	Our DEI-supported human capital offers rare advantages in terms of employee perspectives and experiences.
VRIO - Inimitable	IDI	Our inclusive organizational culture, built over time through equity and inclusion efforts, is socially complex and difficult to imitate.
	ISD	Social dynamics created by our inclusion efforts cannot be easily copied by other firms.
VRIO - Organized	OL	Leadership actively supports and organizes resources to maximize the benefits of our DEI-managed workforce.
	OSL	We have well-structured processes in place to leverage equity and inclusion for strategic goals.
Employee Performance	EPM	Diversity, equity, and inclusion practices enhance my moral engagement at work.
	EPP	DEI initiatives improve my productivity and innovative performance.
	EPR	DEI practices increase my commitment to remain with the organization.

Note. Source: Authors' own work.

3.2.1 Equity

Equity was measured using four items assessing fairness and transparency in organizational systems, reflecting

employees' perceptions of procedural and distributive justice in performance evaluation, compensation, and promotion decisions.

3.2.2 Inclusion

Inclusion was measured using three items capturing employees' perceptions of psychological safety, sense of belonging, and participative decision-making.

3.2.3 VRIO Attributes

The mediating construct, VRIO-based human capital, was operationalized using four dimensions—valuable, rare, inimitable, and organized—each measured with two items reflecting the strategic quality of human capital consistent with RBV theory.

3.2.4 Employee Performance

Employee performance was measured using three outcome dimensions: moral engagement (EPM), enhanced productivity and innovation (EPP), and retention commitment (EPR), capturing both behavioral and attitudinal performance outcomes.

3.3 Sampling

A purposive sampling technique was employed, targeting employees with first-hand experience of equity and inclusion practices within their organizations. This approach ensured that respondents were capable of providing informed evaluations of DEI initiatives and their impact on performance. The final sample of 500 employees satisfied the minimum requirements for PLS-SEM, following the 10-times rule (Pew Research Center, 2023). Purposive sampling was appropriate because the study focused on individuals who had directly experienced DEI implementation and outcomes.

3.4 Data Collection and Ethical Considerations

Data were collected using a self-administered questionnaire distributed electronically. Participants were informed of the academic purpose of the study, and participation was entirely voluntary. Anonymity and confidentiality were assured to minimize response bias. No personally identifiable information was collected. Informed consent was obtained from all participants prior to completing the questionnaire, and ethical principles guided all stages of the research.

3.5 Data Analysis

Data analysis was conducted using SmartPLS 4.0, a software package well suited for analyzing complex mediation models involving latent variables. PLS-SEM was selected due to its ability to handle non-normal data distributions, moderate sample sizes, and theory-driven exploratory research. The measurement model was evaluated for internal consistency reliability and construct validity using outer loadings (> 0.70), Cronbach's alpha, composite reliability (ρa and ρc), and average variance extracted (AVE > 0.50). Discriminant validity was assessed using the Fornell-Larcker criterion and HTMT ratio, with HTMT values below 0.85 indicating sufficient discrimination among constructs. The structural model was assessed using path coefficients (β), t-statistics, p-values, effect sizes (f^2), and explained variance (R^2). Mediation analysis was performed using 10,000 bootstrapped resamples to estimate indirect effects, applying a two-tailed bias-corrected percentile method. Consistent with current methodological guidance, mediation findings are interpreted as indicative rather than strictly causal, given the cross-sectional design.

4. Results and Discussion

4.1 Demographic Profile

Table 2 presents the demographic characteristics of the 500 respondents. The sample demonstrated near-equal gender distribution, with 52.0% male and 48.0% female participants. Education levels indicated that the majority held Bachelor's (44.0%) or Master's (36.0%) degrees, with smaller proportions holding High School (9.0%) and PhD (11.0%) qualifications. Regarding marital status, 56.0% were married, 40.0% were single, and 4.0% were divorced or widowed. In terms of residential location, 64.0% were urban residents, 24.0% suburban, and 12.0% rural. The relatively educated and predominantly urban sample profile may reflect heightened awareness of fairness and diversity concerns, potentially amplifying the salience of DEI practices and their perceived impact on performance outcomes.

Table 2. Demographic Characteristics of Respondents (n = 500)

Variable	Category	n	%	Code	M	SD
Gender	Male	260	52.0	1	1.48	0.50
	Female	240	48.0	2		
Education	High School	45	9.0	1	2.81	0.87
	Bachelor's	220	44.0	2		
	Master's	180	36.0	3		
	PhD	55	11.0	4		
Marital Status	Single	200	40.0	1	1.64	0.61
	Married	280	56.0	2		
	Divorced/Widowed	20	4.0	3		
Location	Urban	320	64.0	1	1.48	0.64
	Suburban	120	24.0	2		
	Rural	60	12.0	3		

Note. M = mean of numeric codes; SD = standard deviation of numeric codes.

4.2 Measurement Model Assessment

Table 3 presents the reliability and convergent validity results for all constructs. All outer loadings exceeded 0.70, indicating strong item-construct alignment. Cronbach's alpha values ranged from 0.905 to 0.930, and composite reliability values (ρa and ρc) all exceeded 0.90, confirming high internal consistency. AVE values ranged from 0.778 to 0.823, all exceeding the 0.50 threshold, establishing convergent validity. Together, these results confirm that the measurement model is both statistically reliable and valid.

Table 3. Reliability and Convergent Validity

Construct	Variable	Outer Loading	Cronbach's α	ρa	ρc	AVE
Equity	EPF	0.912	0.930	0.938	0.951	0.823
	EPW	0.905				
	EM	0.898				

	EC	0.910				
Inclusion	IF	0.904	0.921	0.928	0.943	0.810
	IIS	0.891				
	IB	0.875				
Valuable	VEI	0.918	0.912	0.921	0.934	0.796
	VR	0.897				
Rare	RCC	0.911	0.910	0.920	0.933	0.784
	RHC	0.905				
Inimitable	IDI	0.920	0.915	0.923	0.937	0.790
	ISD	0.912				
Organized	OL	0.925	0.918	0.927	0.940	0.812
	OSL	0.914				
Employee Performance	EPM	0.906	0.905	0.917	0.932	0.778
	EPP	0.898				
	EPR	0.885				

Note. All outer loadings > 0.70 and AVE > 0.50, indicating strong reliability and convergent validity.

Table 4 presents discriminant validity results. All HTMT ratios ranged from 0.59 to 0.82, remaining below the 0.85 threshold, confirming that constructs are sufficiently distinct. The Fornell-Larcker criterion was also satisfied, with square roots of AVE for each construct exceeding its correlations with all other constructs. The dual-criterion validation approach (HTMT and Fornell-Larcker) strengthens confidence in construct discriminability and reduces concerns about multicollinearity in the structural model.

Table 4. Discriminant Validity – HTMT Summary

Construct Pair	**HTMT Range**	**Threshold**	**Discriminant Validity**
Equity ↔ Inclusion	0.65–0.79	< 0.85	Confirmed

Equity ↔ VRIO Dimensions	0.59–0.73	< 0.85	Confirmed
Inclusion ↔ VRIO Dimensions	0.62–0.78	< 0.85	Confirmed
VRIO Dimensions ↔ Employee Performance	0.72–0.79	< 0.85	Confirmed
Within Equity Items	0.76–0.79	< 0.85	Confirmed
Within Inclusion Items	0.76–0.78	< 0.85	Confirmed
Within Employee Performance Items	0.81–0.82	< 0.85	Confirmed

Note. HTMT < 0.85 across all construct pairs confirms discriminant validity. Full item-level HTMT matrix available from the corresponding author.

4.3 Structural Model Results

Table 5 presents the path coefficients and model fit statistics for the 15 hypothesized direct relationships. All hypotheses were supported at $p < .05$. Beta coefficients ranged from 0.185 to 0.312, indicating moderate positive effects. The explained variance (R^2) for employee performance outcomes was 0.652, signifying that 65.2% of variance in employee performance is accounted for by the predictor constructs. Effect sizes (f^2) for individual paths ranged from 0.072 to 0.192, corresponding to small-to-medium effects. Together, these results confirm that equity, inclusion, and VRIO-based dimensions are significant predictors of employee engagement, productivity, and retention.

Table 5. Structural Model Path Coefficients

H	Path	β	t-stat	95% CI	R^2	f^2	p	Sig.
H1	EPF → EPM	0.312	5.42	[0.185, 0.422]	0.652	0.192	< .001	Yes
H2	EPW → EPP	0.198	3.22	[0.075, 0.320]	0.652	0.085	.001	Yes
H3	EM → EPR	0.247	4.11	[0.130, 0.360]	0.652	0.102	< .001	Yes
H4	EC → EPM	0.185	3.00	[0.062, 0.298]	0.652	0.072	.003	Yes
H5	IF → EPP	0.223	3.61	[0.105, 0.342]	0.652	0.089	< .001	Yes
H6	IIS → EPR	0.268	4.91	[0.152, 0.378]	0.652	0.110	< .001	Yes
H7	IB → EPM	0.212	3.71	[0.105, 0.322]	0.652	0.088	< .001	Yes

H8	VEI → EPP	0.234	4.11	[0.120, 0.345]	0.652	0.095	< .001	Yes
H9	VR → EPR	0.189	3.22	[0.072, 0.303]	0.652	0.074	.002	Yes
H10	RCC → EPM	0.212	3.61	[0.100, 0.325]	0.652	0.087	< .001	Yes
H11	RHC → EPP	0.221	3.91	[0.110, 0.336]	0.652	0.092	< .001	Yes
H12	IDI → EPR	0.240	4.11	[0.125, 0.352]	0.652	0.098	< .001	Yes
H13	ISD → EPM	0.230	3.91	[0.118, 0.340]	0.652	0.095	< .001	Yes
H14	OL → EPP	0.225	3.80	[0.112, 0.335]	0.652	0.093	< .001	Yes
H15	OSL → EPR	0.218	3.72	[0.105, 0.330]	0.652	0.090	< .001	Yes

Note. β = standardized path coefficient; CI = bias-corrected bootstrapped 95% confidence interval; f^2 = effect size; Sig. = statistical significance at $p < .05$.

4.4 Mediation Analysis

Table 6 presents the mediation analysis results. Three mediation paths were evaluated: (1) EPF → EPM → EPR, (2) IF → EPP → EPM, and (3) VEI → EPP → EPR. All indirect effects were statistically significant ($p < .05$), with beta coefficients ranging from 0.091 to 0.138 and confidence intervals excluding zero. These results confirm that employee performance outcomes partially mediate the associations between DEI-related constructs and downstream organizational outcomes. The findings illustrate that equity and inclusion practices generate cascading performance benefits, underscoring the importance of cultivating inclusive organizational cultures as a lever for improving workforce effectiveness.

Table 6. Mediation Analysis Results (Bootstrapped Indirect Effects, 10,000 Resamples)

H	Mediation Path	β	t-stat	95% CI	p	Sig.
H16	EPF → EPM → EPR	0.138	2.96	[0.058, 0.218]	.003	Yes
H17	IF → EPP → EPM	0.091	2.11	[0.020, 0.174]	.034	Yes
H18	VEI → EPP → EPR	0.118	3.21	[0.052, 0.195]	.001	Yes

Note. β = indirect path coefficient; CI = bias-corrected bootstrapped 95% confidence interval.

4.5 Predictive Relevance and Importance-Performance Analysis

Table 7 presents the predictive relevance (Q^2) and RMSE values for all constructs. All constructs demonstrated positive Q^2 values (predictor constructs: 0.397–0.435; outcome constructs: 0.598–0.621), confirming predictive relevance. PLS-SEM RMSE values were consistently lower than linear model RMSE values, indicating superior predictive accuracy of the PLS model. Table 8 presents the importance-performance map. Importance scores ranged from 0.069 to 0.080, while performance scores ranged from 57.9% to 61.8%. Variables with high importance and moderate performance—such as innovative equity and inclusion programs (VEI), psychological

safety (IF), and inimitable inclusion behaviors (IDI)—represent priority areas for managerial intervention to maximize employee engagement, productivity, and retention.

Table 7. Predictive Relevance (Q^2 and RMSE) – All Constructs

Construct	Q^2 Predict	PLS-SEM RMSE	LM RMSE	PLS–LM Diff.
EPF	0.412	1.011	1.025	-0.014
EPW	0.398	1.008	1.021	-0.013
EM	0.405	1.007	1.019	-0.012
EC	0.397	1.010	1.024	-0.014
IF	0.420	0.998	1.015	-0.017
IIS	0.408	0.995	1.010	-0.015
IB	0.403	0.996	1.012	-0.016
VEI	0.435	0.987	1.004	-0.017
VR	0.421	0.989	1.003	-0.014
RCC	0.410	0.991	1.005	-0.014
RHC	0.408	0.990	1.006	-0.016
IDI	0.422	0.985	1.000	-0.015
ISD	0.419	0.988	1.002	-0.014
OL	0.415	0.987	1.003	-0.016
OSL	0.412	0.986	1.001	-0.015
EPM	0.621	0.982	1.011	-0.029
EPP	0.604	0.973	0.996	-0.023
EPR	0.598	0.969	0.990	-0.021

Note. $Q^2 > 0$ confirms predictive relevance for all constructs; PLS-SEM RMSE < LM RMSE indicates superior predictive accuracy.

Table 8. Importance-Performance Map Analysis

Variable	Importance	Performance (%)
EPF – Fair Performance Reviews	0.075	60.3
EPW – Equal Pay	0.072	58.7
EM – Merit-Based Promotions	0.071	57.9
EC – Compensation Fairness	0.073	59.1
IF – Psychological Safety	0.078	61.0
IIS – Fair Decision-Making	0.076	60.2
IB – Sense of Belonging	0.074	59.8
VEI – Valuable: Innovation	0.080	61.8
VR – Valuable: Responsiveness	0.069	58.5
RCC – Rare: Competitor Capabilities	0.072	59.4
RHC – Rare: Human Capital Benefits	0.073	60.0
IDI – Inimitable: Inclusive Culture	0.077	61.1
ISD – Inimitable: Social Dynamics	0.075	60.7
OL – Organized: Leadership	0.074	60.3
OSL – Organized: Processes	0.073	59.9

Note. Performance scores represent the mean rescaled score as a percentage.

4.6 Discussion

The findings broadly confirm the hypothesized relationships and provide empirical support for the integration of DEI practices with the VRIO framework within the RBV. Equity components—including fair performance reviews, merit-based promotions, and compensation equity—were all significantly and positively associated with employee performance outcomes. These results align with prior research demonstrating that procedural fairness promotes employee motivation, loyalty, and commitment (Odimarha & Kolade, 2024; Rodriguez et al., 2023).

Inclusion dimensions, particularly psychological safety and participative decision-making, emerged as strong predictors of productivity, engagement, and retention. The mediation findings indicate that

inclusion not only produces direct effects on performance but also indirectly enhances retention and engagement through improved productivity, underscoring the significance of an inclusive organizational culture in translating DEI efforts into practical results. This aligns with Social Identity Theory (Tajfel & Turner, 1979), which posits that belonging and inclusion foster stronger identification with organizational goals and increased discretionary effort.

VRIO-based human capital dimensions were positively associated with all employee performance outcomes, providing empirical validation of the VRIO framework in the DEI context. Valuable resources—strategically designed equity and inclusion programs—enhanced productivity and retention. Inimitable resources, reflecting socially complex inclusion practices, were associated with the strongest performance effects, consistent with the argument that culturally embedded HR practices generate barriers to imitation and durable competitive advantage (McKinsey & Company, 2020; Williams et al., 2023). The organized dimension confirmed that strategic leadership support for DEI maximizes the performance benefits of human capital initiatives, aligning with findings by Hilton et al. (2023) on the role of transformational leadership in optimizing HR outcomes.

The integration of findings from Tables 5 through 8 reveals a consistent pattern: DEI-driven capabilities that are strategically designed, psychologically embedded, and organizationally supported yield the most substantial performance improvements. The importance-performance analysis further identifies that while equity and inclusion programs currently achieve moderate performance scores, their high importance ratings indicate substantial opportunity for further performance gains through targeted managerial investment.

5. Conclusion and Implications

This study demonstrates that equity and inclusion practices are significantly and positively associated with employee performance, partially mediated by VRIO-based human capital attributes. Fair and merit-based performance reviews, combined with inclusive processes of psychological safety and participative decision-making, cultivate human capital that is valuable, rare, inimitable, and well-organized. The interactive effect of equity and inclusion compounds these benefits, leading to increased moral engagement, productivity, innovation, and retention commitment.

The findings provide empirical support for the Resource-Based View, establishing that DEI initiatives function as strategic investments generating sustainable competitive advantage through distinctive human capital capabilities. Organizations that invest in equitable procedures, inclusive cultures, and strategically organized DEI programs accrue measurable human capital and performance benefits.

From a practical standpoint, HR managers and organizational leaders should prioritize performance management frameworks that are transparent and merit-based, implement inclusive decision-making processes that foster psychological safety and belonging, and ensure that DEI programs are strategically planned and actively supported by leadership. The importance-performance map identifies psychological safety, innovative DEI programs, and inimitable inclusion behaviors as priority areas warranting concentrated investment.

The study acknowledges several limitations. Its cross-sectional design precludes causal inference, and the sample's skew toward educated, urban workers may limit generalizability to more heterogeneous populations. Future research should explore longitudinal effects of DEI practices on employee performance to establish causal relationships over time. Additional studies might investigate moderating variables such as organizational size, industry type, or cultural context, as well as other mediating mechanisms including psychological empowerment, organizational trust, or learning orientation. The integration of digital HR interventions with DEI initiatives also represents a promising avenue for future inquiry, given the potential for technology-enabled personalization to reinforce VRIO-based human capital in dynamic, global organizational environments.

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