

THE MEDIATING ROLE OF TRANSFORMATIONAL LEADERSHIP IN THE RELATIONSHIP BETWEEN HUMAN RESOURCE DIVERSITY AND HIGHPERFORMANCE WORK SYSTEMS.

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Abstract:

The purpose of this study is to examine the mediation role of transformational leadership in the relationship between human resource diversity and the implementation of high-performance work systems (HPWS) in Iraqi insurance companies. A theoretical model is proposed by the study that explains how transforming workforce diversity into a competitive advantage can be achieved through strategic application of transformational leadership and high-performance HR practices.

The research problem is grounded in the increasing complexity of managing diverse human resources in Iraq's service sector, particularly in insurance companies, where diversity often results in coordination difficulties and cultural clashes. At the same time, the success of HPWS depends largely on leadership styles that foster motivation, inclusivity, and strategic integration.

The significance of this study lies in both theoretical and practical aspects. By integrating three variables into a unified explanatory framework, it theoretically fills a crucial gap in Arabic literature, a rarity in existing research. In practical terms, it offers practical guidance for HR managers and policymakers on how to turn diversity from a hindrance into a value-added aspect that enhances institutional performance.

Methodologically, the study employs a quantitative causal-correlational approach using SPSS and AMOS for structural equation modeling. The research sample consisted of 120 employees from the National Insurance Company in Iraq. The results reveal statistically significant positive relationships between all three variables, with transformational leadership demonstrating a strong mediating effect between workforce diversity and HPWS.

The findings indicate that transformative leadership significantly enhances the impact of workforce diversity on HPWS by motivating innovation, reducing conflict, and promoting inclusive team dynamics. The data analysis showed that introducing transformational leadership increased the explanatory power of workforce diversity on HPWS from 58.9% (direct effect) to 76.9% (total effect), with a strong indirect impact coefficient ($\beta = 0.180$, $p < 0.001$).

The study provides several practical recommendations:

1. Institutionalize diversity as a strategic organizational priority.
2. Invest in leadership development programs focused on transformational competencies.
3. Redesign HR systems to reflect HPWS principles of selective hiring, training, empowerment, and performance-based rewards.
4. Promote an inclusive organizational culture through awareness campaigns and bias mitigation.
5. Establish KPIs to evaluate the impact of diversity and leadership on productivity and innovation.

At the policy level, the study recommends the adoption of national guidelines for leadership effectiveness, linking incentives to inclusive practices, and funding applied research in the insurance sector to support evidence-based reform.

This research contributes to the ongoing academic dialogue on leadership and diversity management in the Middle East and offers a replicable model for service-oriented organizations in multicultural and competitive environments.

Keywords: Transformational Leadership, Workforce Diversity, HPWS, Insurance Companies, Leadership, Empowerment, Innovation, Organizational Culture, Iraq, Institutional Performance.

العربية

باللغة

المستخلص

تهدف هذه الدراسة إلى تحليل الدور الوسيط الذي تلعبه القيادة التحويلية في العلاقة بين تنوع الموارد البشرية وتطبيق أنظمة العمل عالية الأداء في شركات التأمين العراقية، وتقديم نموذج تفسيري يساعد في تحقيق الأداء المؤسسي المتميز. تنطلق الدراسة من مشكلة بحثية تتمثل في صعوبة استثمار التنوع البشري داخل المؤسسات العراقية، لا سيما في قطاع التأمين، في ظل غياب أنماط قيادية ملهمة، مما يُضعف من فاعلية تطبيق أنظمة العمل الحديثة.

تكمن أهمية الدراسة في جانبين رئيسيين؛ نظرياً من خلال سد الفجوة البحثية حول العلاقة التفاعلية بين المتغيرات الثلاثة في السياق العربي، وعملياً من خلال تقديم توصيات مباشرة لصانعي القرار حول كيفية تحويل التنوع البشري من تحدٍ إلى فرصة تنافسية، عبر تبني أساليب قيادة تحويلية وتطبيق منظم لأنظمة العمل عالية الأداء.

اعتمدت الدراسة على منهج كمي تطبيقي باستخدام أدوات إحصائية مثل SPSS و AMOS لتحليل البيانات التي جمعت من عينة مكونة من 120 موظفاً في الشركة الوطنية للتأمين. وأظهرت النتائج أن هناك علاقة إيجابية قوية بين تنوع الموارد البشرية وتطبيق أنظمة العمل عالية الأداء، مع وجود تأثير وساطة إيجابي للقيادة التحويلية.

تشير النتائج إلى أن تنوع القوى العاملة يمكن أن يسهم في تحسين الأداء فقط عندما يكون مدعوماً بثقافة تنظيمية شاملة وقيادة تحويلية تُحفز العاملين وتدير الاختلافات بفعالية. كما تبين أن القيادة التحويلية تعزز تأثير التنوع على تطبيق أنظمة العمل عبر تحفيز الابتكار، وتيسير التعاون، وتقدير الفروقات الفردية.

أوصت الدراسة بما يلي:

1. اعتماد التنوع كقيمة استراتيجية في شركات التأمين.
 2. تطوير برامج تدريبية لتعزيز المهارات القيادية التحويلية لدى المديرين.
 3. تصميم أنظمة عمل شاملة ومتربطة تدعم الأداء العالي.
 4. تعزيز الثقافة المؤسسية الشاملة والمبنية على الاحترام والاحتواء.
 5. إدخال مؤشرات أداء لقياس أثر التنوع والقيادة على الأداء المؤسسي.
- كما دعت السياسات الحكومية إلى تعزيز التحول الثقافي في الشركات وتشجيع تبني القيادة التحويلية من خلال برامج وطنية لبناء القدرات ومكافآت مؤسسية قائمة على مؤشرات الأداء القيادي.
- تمثل هذه الدراسة مرجعاً مهماً للباحثين في مجالات القيادة، وإدارة التنوع، وأنظمة العمل، كما تفتح آفاقاً مستقبلية لدراسات مقارنة كمية وكيفية في قطاعات خدمية أخرى.
- الكلمات المفتاحية:**

القيادة التحويلية، تنوع الموارد البشرية، أنظمة العمل عالية الأداء، شركات التأمين، القيادة، التمكين، الابتكار، البيئة التنظيمية، العراق، التميز المؤسسي.

INTRODUCTION:

HRM is viewed as one of the most crucial areas that contemporary organizations focus on to achieve their strategic objectives and enhance their competitive advantage in ever-changing business environments. Workforce diversity has emerged as a central issue in discussions concerning how to manage people effectively in modern work settings (Miller, 2018). Diversity encompasses racial, cultural, and intellectual differences among employees, which simultaneously presents both opportunities and challenges. While diversity can be a significant source of innovation and creativity within organizations, its mismanagement may lead to conflicts and hinder team performance (Cox & Blake, 1991).

Organizations in Iraq, including insurance companies, are increasingly facing challenges in improving institutional performance within diverse work environments. In this context, it becomes essential to adopt innovative and effective management practices that harness the diverse attributes of the workforce and channel them toward achieving strategic goals.

Transforming Leadership is one of the effective leadership styles that can play a crucial role in managing diversity and enhancing performance. By motivating, fostering teamwork, and promoting innovation and positive change within the organization, this leadership style can inspire employees to exceed expectations. (Bass & Avolio, 1994). Research has demonstrated that transformational leadership is a key factor in improving organizational performance, especially in work environments with significant human diversity (Leithwood & Jantzi, 2006).

At the same time, there is an increasing demand for High-Performance Work Systems (HPWS), which encompass a range of integrated management practices, such as selective recruitment, ongoing training, employee participation in decision-making, and effective performance evaluations.

These systems are essential for stimulating high employee performance and enhancing integration across various departments within the organization (Appelbaum, Bailey, Berg, & Kalleberg, 2000).

Although these practices are becoming more important, the interaction between diversity, transformational leadership, and high-performance work systems is still not fully explored in the Iraqi context.

Particularly in the insurance industry. Based on the current literature, limited attention has been given to examining the mediating role of transformational leadership in enhancing the effectiveness of work systems in diverse environments such as those found in insurance companies (Gelfand et al., 2011).

Therefore, there is a clear need for studies that investigate the relationships among these variables and clarify the role of transformational leadership in achieving effective integration between workforce diversity and elevated levels of organizational performance.

This study aims to investigate the mediating role of transformational leadership in the relationship between workforce diversity and high-performance work systems within insurance companies in Iraq.

The study seeks to present a conceptual framework that illustrates how human diversity can be leveraged as a tool to stimulate outstanding performance in the workplace and how transformational leadership can contribute to this goal by enhancing work systems and promoting an inclusive organizational culture.

previous studies

The objective of this section is to review the most pertinent previous studies that are related to workforce diversity, high-performance work systems, and transformational leadership. The role of transformational leadership as a mediator in this relationship is given special attention through theoretical frameworks and empirical findings that either support or challenge it.

1. Studies on the Independent Variable: Workforce Diversity

the relationship between workforce diversity and the effective implementation of HPWS is not always direct or positive. Several studies suggest that diversity may lead to internal conflicts or coordination challenges if not managed effectively. This has highlighted the importance of exploring mediating variables that may explain this relationship—chief among them being the leadership style adopted within the organization. "Below is a summary of the most important studies that addressed the topic

Østergaard & Timmermans (2023)

This study examined how diversity in team skills and cultural backgrounds affects organizational innovation within European firms. The findings indicated that diversity enhances innovation only when organizational policies actively support inclusion and collaboration. The authors recommended investing in diversity management by fostering an inclusive environment.

Verwijis & Russo (2023)

This research highlighted that diverse teams may experience difficulties in coordination and communication. However, the presence of psychological safety significantly strengthens the relationship between diversity and team effectiveness. The study emphasized the importance of cultivating diversity Workforce

Jonsen, K., Maznevski, M. L., & Schneider, S. C. (2021)

This research highlighted that Leadership style is a key driver in leveraging diversity and **Findings:** Leadership behaviors such as inclusiveness, empathy, and transformational qualities mediate

Hajro, A., Gibson, C. B., & Pudelko, M. (2017)

This research highlighted Confirms the role of leadership and climate in making diversity beneficial. And **Findings:** A positive diversity climate supports better knowledge sharing and performance in diverse teams.

2. Studies on the Mediating Variable: Transformational Leadership

Transformational Leadership is considered to be one of the most effective leadership styles in complex and dynamic situations. A lot of research has demonstrated that it can cultivate a energizing work environment, improve mutual understanding and collaboration between individuals from diverse backgrounds, and maximize the utilization of HPWS. Consequently, an increasing number of researchers have begun to examine transformational leadership as a mediating variable that could explain the link between workforce diversity and the application of high-performance work practices. Here is an overview of the most significant studies that have dealt with the topic.

Schermuly & Meyer (2020)

This study explored the relationship between transformational leadership and the experience of “flow” at work. The findings demonstrated that transformational leaders enhance focus and self-motivation, which in turn improves performance quality. The authors recommended promoting leadership training programs aimed at adopting a transformational leadership style.

Song et al. (2022)

Finding out how transformational leadership improves employee performance by raising self-efficacy and lowering stress related to the job was the aim of this study. The study made clear how important leadership is in reducing conflict at work and inspiring employees on a psychological level.

Carrington et al. (2024)

The study found that transformational leadership is crucial in fostering a sense of belonging in diverse work environments, which positively impacts team performance. The recommendation was to employ transformational leadership as a tool for creating workplace cultures that are inclusive and integrated.

3. Studies on the Dependent Variable: High-Performance Work Systems (HPWS)

Fan et al. (2021)

This study examined how HPWS can reduce occupational burnout and enhance performance, provided there is a balance between job demands and available resources. The findings emphasized the importance of implementing HPWS with attention to employees’ psychological well-being.

Abdul Jabbar et al. (2023)

According to the study, HPWS encourage voice behavior when employees are psychologically secure and perceive leadership as supportive. The authors suggested that employees should be encouraged to express and be open through a supportive and secure work environment.

4. Studies Addressing the Relationship Between the Three Variables

Ehrnrooth et al. (2022)

The purpose of this paper is to examine the interaction between HPWS and transformational leadership in culturally diverse settings. The conclusion was that the impact of HPWS on team performance is enhanced by the presence of transformational leaders. Leadership development was suggested by the study as a primary method to unleash the potential of HPW in diverse settings.

Hauff et al. (2022)

According to the study, integrating HPWS with supportive leadership reduces stress and increases employee commitment, especially in workplaces with ethnic and gender diversity. In order to achieve sustainable performance, it is recommended to align HPWS with motivating and inclusive leadership.

Inceoglu et al. (2023)

A field study in Finland that involved 308 employees looked into the correlation between HPWS, transformational leadership, and psychological resource depletion. The results demonstrated that coordinating between HPWS and transformational leadership alleviates exhaustion and enhances

performance. The study prioritized the design of work environments that achieve a balance between empowerment, motivation, and task demands.

Albrecht et al. (2015)

The purpose of this study is to examine the relationship between workforce diversity and organizational performance in global companies through transformational leadership. Transformational leaders are capable of improving a firm's capacity to leverage diversity by creating inclusive environments that promote innovation and continuous improvement. The study recommended the establishment of a leadership culture that values diversity and organizational innovation.

Eisenbeiss et al. (2008)

The research examined the effect of transformative leadership on diverse workplaces, finding that these leaders can make workforce diversity a competitive advantage by encouraging collaboration and creativity. To effectively manage diverse teams, it suggested making investments in the development of transformational leadership competencies.

Keller (2006)

This research focused on the relationship between transformational leadership and organizational performance in culturally diverse firms. It demonstrated that transformational leadership improves coordination and collaboration among diverse individuals, thereby enhancing the effectiveness of high-performance work systems. The study advocated for strengthening adaptive leadership skills in multicultural environments.

Research Gap

While there has been an increase in academic and practical interest in workforce diversity, HPWS, and transformational leadership in recent decades, a review of the literature is needed. (2015–2025) reveals several critical research gaps that justify the need for the present study:

Here's a rephrased version of the text in English:

1. **Absence of an Integrated Explanatory Model Combining the Three Variables:**

Most existing research has concentrated on dyadic relationships, such as:

- The effect of diversity on innovation (Østergaard & Timmermans, 2023),
- The link between HPWS and performance (Fan et al., 2021),
- Or the influence of transformational leadership on performance (Song et al., 2022).

However, there has been limited research integrating all three variables into a cohesive structural model that explores the mediating role of transformational leadership in the relationship between workforce diversity and HPWS, as proposed in this study.

2. **Limited research in Arab contexts, particularly in Iraq:**

The majority of existing studies have been conducted in Western contexts (e.g., Finland, Germany, the UK), raising questions about the generalizability of these findings to developing contexts such as Iraq's insurance sector, which is characterized by unique cultural and organizational features, high levels of societal diversity, and significant managerial challenges.

3. **Insufficient analysis of transformational leadership as a mediating variable:**

Although the significance of transformational leadership is widely acknowledged, only a limited number of studies (e.g., Ehrnrooth et al., 2022) have investigated its role as a mediator in the relationship between workforce diversity and HPWS. Furthermore, even those studies that have addressed this issue tend to focus more on psychological or behavioral outcomes, rather than examining broader aspects of organizational effectiveness, innovation, or team performance—especially in service-oriented industries like insurance.

4. **Underrepresentation of highly competitive service sectors in the literature:**

Most existing research has focused on sectors such as education, manufacturing, or multinational corporations. In contrast, studies addressing the insurance sector—despite its notable workforce diversity and advanced implementation of work systems—remain limited, leaving a gap in understanding how HPWS function in competitive service environments.

Research Problem

Amid rapid organizational transformations and growing competitive challenges in today's business environment, organizations—particularly insurance companies in Iraq—are increasingly required to adopt managerial strategies that ensure organizational efficiency and effectiveness. Workforce diversity has become a defining feature of modern work environments, offering opportunities for creativity and innovation. However, it also presents challenges related to communication, team cohesion, and coordination.

On the other hand, the adoption of High-Performance Work Systems (HPWS) represents a contemporary strategy for improving work outcomes. However, the effectiveness of these systems is largely contingent on the presence of deliberate and capable leadership that can strategically steer human resources. In this regard, transformational leadership stands out as a style that inspires employees, enhances their engagement, and cultivates a culture of collaboration and empowerment.

Although a number of international studies have addressed each variable independently—or explored some of the dyadic relationships among them—research that integrates the three variables (workforce diversity, transformational leadership, and HPWS) into a unified analytical framework remains scarce, especially within Arab and Iraqi contexts. Moreover, the insurance sector, with its unique complexities and organizational challenges, remains under-researched, despite facing significant issues related to diversity and performance management.

Accordingly, the research problem stems from the following central question:

What is the mediating role of transformational leadership in the relationship between workforce diversity and the implementation of high-performance work systems in Iraqi insurance companies?

Significance of the Study

The significance of this study stems from a combination of theoretical and practical considerations, rendering it valuable to both the academic community and managerial practitioners in business organizations, particularly within Iraqi insurance companies. This significance can be highlighted on two levels:

1. Theoretical Significance

- This study seeks to address a significant research gap by examining the interactive relationship between workforce diversity and High-Performance Work Systems (HPWS), while investigating transformational leadership as a mediating variable within a comprehensive explanatory model—an area that has been largely overlooked in prior research.
- It contributes to the expansion of contemporary Arabic literature on diversity management, modern leadership, and work systems by presenting an empirically tested analytical model within the Arab context.
- The study offers theoretical insights to contemporary behavioral management frameworks, such as the Resource-Based View and transformational leadership theories, thereby deepening the understanding of the interconnections between organizational culture, motivation, and performance.

2. Practical Significance

- This study provides a strategic framework for decision-makers in Iraqi insurance companies, helping them to effectively manage workforce diversity and convert it from a potential administrative challenge into a competitive advantage.
- It highlights the pivotal role of transformational leadership in facilitating the implementation of High-Performance Work Systems (HPWS) within teams with diverse backgrounds, thus aiding organizations in fostering workplace harmony and achieving superior organizational outcomes.
- The anticipated findings are expected to contribute to the development of leadership training programs and the establishment of an inclusive organizational culture that harnesses the potential of diversity, supported by modern, effective work systems.

✦ Summary

Through this dual significance, the study contributes practical solutions grounded in scientific principles to existing challenges in Iraqi insurance institutions, while paving the way for future research exploring broader applications of transformational leadership and work systems in diverse and dynamic environments.

RESEARCH OBJECTIVES

✓ General Objective:

This study aims to investigate the mediating role of transformational leadership in the relationship between workforce diversity and the implementation of High-Performance Work Systems (HPWS) in Iraqi insurance companies. The primary objective is to develop an explanatory model that fosters enhanced organizational performance and institutional excellence.

◆ Specific Objectives:

1. To assess the level of workforce diversity in Iraqi insurance companies, focusing on cultural, educational, and gender dimensions.

2. To evaluate the current state of transformational leadership styles among managerial leaders within insurance companies.
3. To examine the extent to which High-Performance Work Systems (HPWS) have been implemented in Iraqi insurance companies.
4. To explore the relationship between workforce diversity and the application of HPWS.
5. To assess the mediating role of transformational leadership in the connection between workforce diversity and HPWS.
6. To provide practical recommendations based on the findings, aimed at supporting human resource departments in managing diversity and developing leadership capabilities to enhance the effective implementation of HPWS.

Research Hypothesis

This study utilizes a mediation model framework to explore the relationship among the three key variables, proposing that workforce diversity (independent variable) influences High-Performance Work Systems (HPWS) (dependent variable) indirectly through transformational leadership (mediating variable). Specifically, transformational leadership facilitates the conversion of workforce diversity into measurable organizational outcomes by enabling the effective implementation of HPWS practices..

Several studies have supported this approach, including Inceoglu et al. (2023), which demonstrated that the combination of HPWS and transformational leadership reduces job burnout and enhances performance levels, especially in culturally and gender-diverse work environments. Similarly, Ehrnrooth et al. (2022) found that transformational leadership strengthens the impact of HPWS in multicultural organizations, making it a pivotal factor in this model.

Based on the foregoing, the main hypothesis of the study can be formulated as follows:

There is a statistically significant mediating effect of transformational leadership in the relationship between workforce diversity and the implementation of High-Performance Work Systems in Iraqi insurance companies.

- **Independent Variable (X):** Workforce Diversity
- **Mediating Variable (M):** Transformational Leadership
- **Dependent Variable (Y):** High-Performance Work Systems (HPWS)

This hypothesis tests whether workforce diversity influences HPWS indirectly through transformational leadership.

Research Methodology

• Type of Study

This research is categorized as an applied quantitative study, with the objective of testing the relationships among the three variables—workforce diversity, transformational leadership, and High-Performance Work Systems (HPWS)—within a real-world context, specifically in Iraqi insurance companies. Additionally, it is classified as a causal-correlational study, as it aims to investigate the mediating effect of transformational leadership on the relationship between workforce diversity and HPWS.

• Research Design

The study utilized a descriptive-analytical design to collect and analyze data with the objectives of:

- Describing the nature of the three variables under investigation.
- Analyzing the causal and correlational relationships between them.
- Testing the mediation hypothesis to verify the extent to which transformational leadership acts as a mediator between human resource diversity and HPW

Study Approach

A quantitative approach was adopted for data collection and analysis, as it is most suitable for hypothesis testing and identifying relationships between variables through precise statistical tools. Advanced statistical analyses were performed using software such as SPSS and AMOS.

Study Population

The study population comprises all employees working in insurance companies operating in Iraq, including public, private, and mixed-ownership firms. The population includes:

- Employees in technical departments (underwriting, claims, reinsurance).
- Human resources staff.
- Senior and middle management personnel.

This population is characterized by diverse professional and cultural backgrounds, making it an appropriate environment for studying the impact of human resource diversity on high-performance work systems. According to official statistics, there are 29 active insurance companies in Iraq, including public and private companies as well as branches or agents affiliated with foreign companies.

• Study Sample

Given the large size of the study population, the National Insurance Company was selected for the following reasons:

- It is the first established company with a wide range of general insurance services (marine, accident, motor, agriculture, aviation, life insurance).
- It has a governmental background with extensive experience in the Iraqi market.

About the National Insurance Company

The National Insurance Company is the oldest and largest governmental insurance company in Iraq, serving as the backbone of the Iraqi insurance market since its establishment. It was founded under Law No. (56) of 1960 and is currently affiliated with the Iraqi Ministry of Finance, supervised by the Iraqi Insurance Bureau. The company was chosen for the following reasons:

- Its large size and geographical spread across all Iraqi governorates ensure genuine diversity in human resources in terms of gender, age, cultural, and functional backgrounds.
- Its diversified insurance services (marine, agricultural, industrial, motor, life) create a complex environment requiring high-performance work systems and capable of testing the effectiveness of transformational leadership in management.
- Its governmental nature provides a comparative dimension for understanding how official policies influence the implementation of leadership practices and human resource systems.
- It contains specialized departments (such as human resources, customer affairs, finance, health insurance, general accidents), enabling the application of the research instrument to employees with varied job roles.
- Extensive experience: over 60 years of providing insurance services.
- Number of employees: over 800 staff members.
- Management: follows a traditional administrative organizational structure including general management and specialized branches.

Sample Selection Method within the Company

A purposive sampling technique was used, selecting employees who meet the following criteria:

- Full-time employees with at least one year of service.
- Representing different job levels (managers, supervisors, executive staff).
- Distributed across various administrative and technical departments (e.g., Human Resources, Compensation, Underwriting, Customer Service).
- Actively interacting with human resource policies and leadership practices within the company.

Sample Size from the National Insurance Company

The expected sample size is 120 employees from the National Insurance Company, based on the availability and willingness of employees to participate. The sample distribution will represent different administrative branches to ensure the comprehensiveness of the results.

Theoretical Framework of the Study

First: Independent Variable – Human Resource Diversity

The concept of human resource diversity refers to the presence of explicit or implicit differences among individuals within an organization. These differences encompass diversity in gender, age, cultural background, language, educational qualifications, experience, as well as variations in values, beliefs, and thinking patterns. Diversity is not merely considered a demographic attribute but rather a strategic tool that can contribute to creating a dynamic work environment if managed effectively and thoughtfully (Østergaard & Timmermans, 2023).

It is also noted that workforce heterogeneity includes demographic factors (gender, age, ethnicity), functional factors (educational and professional backgrounds), and cognitive factors (ways of thinking and values), including dynamic diversity which refers to changes in team composition over time. The positive impact of diversity is most pronounced when supported by an inclusive work environment that encourages integration and participation (Haar, J. M., O’Kane, P., & Daellenbach, U., 2021).

In contemporary organizations such as insurance companies, which serve a wide and diverse client base, workforce diversity becomes a critical factor in understanding market needs and risks, and in offering insurance products that align with the cultural and social variations of the community. Recent studies have demonstrated that human resource diversity enhances opportunities for creativity, as interactions among employees from diverse backgrounds lead to the generation of new ideas and unconventional solutions (Østergaard & Timmermans, 2023).

Moreover, diversity promotes organizational justice and contributes to the establishment of equal opportunity principles within the workplace, which in turn increases employee satisfaction and organizational loyalty. However, the benefits of diversity are not guaranteed unless there is an inclusive organizational environment that ensures integration, openness to different perspectives, and a reduction in conflicts arising from individual differences (Verwijns & Russo, 2023).

Dimensions of Human Resource Diversity

Human resource diversity is a multidimensional concept, with its components varying according to the nature of the organization and the cultural context. However, recent literature suggests categorizing it into the following dimensions (Østergaard & Timmermans, 2023):

1. **Demographic Diversity:**

This includes gender, age, ethnicity, and marital status. This dimension is often used to measure the extent of variation in population characteristics within an organization.

2. **Functional Diversity:**

Refers to differences in specialties, academic backgrounds, and professional experiences. It is one of the diversity dimensions most closely associated with organizational creativity.

3. **Cultural Diversity:**

Encompasses differences in values, beliefs, customs, and communication styles. This dimension is more evident in environments comprising employees from different national or ethnic backgrounds.

4. **Cognitive Diversity:**

Represents variations in thinking styles, decision-making approaches, and analytical abilities. Studies have shown that this dimension is among the strongest predictors of collective performance.

Second: The Mediating Variable – Transformational Leadership

Transformational leadership is a modern leadership approach that aims to foster positive changes in the behaviors and thought processes of individuals within an organization. This is achieved through mechanisms such as inspirational influence, intellectual stimulation, individualized consideration, and by serving as a role model. Unlike traditional manager-subordinate dynamics, transformational leadership goes beyond formal hierarchical relationships, cultivating an environment rooted in inspiration, trust, and intrinsic motivation. It is also defined as a dynamic leadership approach aimed at inspiring individuals to realize their full potential by creating a shared vision, supporting innovation, providing individual attention, and demonstrating ethical representation. Transformational leaders show the ability to stimulate critical and creative thinking, develop trust and belonging among their followers, thereby enhancing organizational performance (Kandemir, D., 2024).

The significance of transformational leadership lies in its role as a fundamental factor in managing diversity and turning it from a challenge into an opportunity. Literature indicates that transformational leaders are most capable of fostering a flexible and participative work environment that respects diversity, encourages innovation, and motivates performance (Song et al., 2022). Additionally, these leaders contribute to strengthening employees' sense of belonging and acceptance, which reduces tensions related to differences in backgrounds.

Transformational leadership plays an effective mediating role in this study, where it is assumed that leaders enable the transformation of human diversity into a driving force for implementing High-Performance Work Systems (HPWS). This mediating role implies that diversity does not automatically lead to positive outcomes; rather, its impact largely depends on the presence of leadership that understands how to strategically and effectively leverage it (Carrington et al., 2024).

Dimensions of Transformational Leadership

The Multifactor Leadership Questionnaire (MLQ) created by Bass and Avolio is commonly used to measure transformational leadership. There are four key dimensions to this leadership style (Song et al., 2022):

1. **Idealized Influence:**

The leader is a role model who demonstrates integrity and exhibits behaviors that inspire trust and admiration among their employees.

2. **Inspirational Motivation:**

Employees are effectively motivated and energized by the leader because they articulate a clear and compelling vision for organizational goals and create a sense of shared purpose.

3. **Intellectual Stimulation:**

By finding unconventional solutions to problems, employees are encouraged to think critically, challenge assumptions, and innovate.

4. **Individualized Consideration:**

Each employee's needs, strengths, and development opportunities are closely examined by leaders, who offer guidance and support tailored to their personal and professional growth.

Third :-The Dependent Variable – High-Performance Work Systems (HPWS)

HPWS is a system of integrated managerial practices that enhances both individual and organizational abilities. These practices typically include selective hiring, continuous training and development, employee empowerment in decision-making, fair incentive systems, and performance evaluations aligned with organizational goals.

HPWS is further defined as an interconnected bundle of human resource practices, which includes recruitment, training, empowerment, performance-based incentive systems, and evaluations—all aimed at fostering a high-performing workforce capable of innovation and delivering exceptional results (Kaushik & Mukherjee, 2022). The effectiveness of HPWS is strengthened by strategic alignment and internal coherence. HPWS is a comprehensive HR system that encompasses recruitment, training, empowerment, incentives, performance evaluation, and job security.

The goal is to develop a workforce that is motivated, skilled, and loyal, leading to superior organizational performance.

To achieve meaningful and positive outcomes, it is crucial to implement these practices as a cohesive bundle instead of in isolation, as highlighted by research. (Hassett, 2022).

The significance of HPWS lies in its capability to promote long-term performance, operational efficiency, and high service quality, which are essential in industries like insurance, where accuracy and customer trust are crucial. HPWS' impact is influenced by its strategic integration and alignment, not just its individual components (Fan et al., 2021).

HPWS helps to increase organizational commitment, reduce turnover, and foster a culture of continuous improvement. According to studies, HPWS is particularly effective in organizations that have supportive leadership and flexible, adaptable practices (Abdul Jabbar et al., 2023). The implementation of HPWS is not just a technical process but also reflects the leadership culture and organization's values.

Dimensions of High-Performance Work Systems (HPWS)

HPWS is a collection of practices that are designed to enhance overall organizational performance in a synergistic manner. The main dimensions are as follows (Fan et al., 2021):

1. **Selective Hiring:**

The organization's long-term goals dictate the strategic recruitment of individuals who have aligned skills and competencies.

2. **Training & Development:**

To ensure that employees remain adaptable and proficient in their roles, it is necessary to continuously invest in developing both technical and soft skills.

3. **Employee Involvement:**

Fostering a sense of ownership, commitment, and belonging among employees can enhance overall engagement and productivity by engaging them in key organizational processes.

4. **Performance-Based**

Rewards:

Implementing fair and transparent incentive systems that link individual and group performance to rewards.

5. **Performance**

Appraisal:

Conducting comprehensive evaluations based on objective and motivational criteria, used as tools for development and continuous improvement.

6. **Employment Security Supported by Flexible Policies:**
Providing a relatively secure work environment that allows employees to take calculated risks and innovate without fear.

STATISTICAL ANALYSIS RESULTS

First: Validity and Reliability Testing of the Field Study Instrument

The researcher conducted tests for both validity and reliability of the survey questionnaire following its initial design phase, as detailed below:

Reliability and Validity

Reliability pertains to the stability and internal consistency of the measurement tool, ensuring that it produces consistent results when applied repeatedly to the same sample. This involves evaluating the data collection instrument to confirm its consistency in accurately measuring the intended phenomena and variables.

The reliability of the study instrument was assessed using **Cronbach's Alpha**, a widely recognized method for evaluating internal consistency among the items of a scale. Cronbach's Alpha values range from 0 to 1, with values closer to 1 indicating a higher degree of reliability. The analysis was performed using **SPSS Version 25**.

Validity, on the other hand, refers to the extent to which the instrument accurately measures the construct it is intended to measure. In this study, validity was assessed by calculating **self-validity**, which is derived as the square root of the reliability coefficient.

The analysis showed that the **Alpha Cronbach's values** were within acceptable limits. Table(1) presents the reliability and validity coefficients for the study variables:

Table (1) Reliability and Validity Coefficients for Study Variables

Variable	Number of Phrases	Reliability Coefficient	Validity Coefficient
Human Resource Diversity	10	0.831	0.912
Transformational Leadership	10	0.787	0.887
High-Performance Work Systems	10	0.770	0.877

Source: Prepared by the researcher based on statistical analysis results.

The table indicates that reliability coefficients ranged from 0.770 to 0.831, confirming the reliability of the study instrument. Validity coefficients ranged from 0.877 to 0.912, affirming the credibility of the instrument. Alpha A Cronbach's value of 0.80 or higher is considered excellent in terms of reliability.

Descriptive Statistics

The means and standard deviations were computed for all variables in the study:

Variable	Mean	Std. Deviation	Sample Size
Human Resource Diversity	3.91	0.64	120
Transformational Leadership	4.03	0.59	120
High-Performance Work Systems	4.11	0.55	120

Conclusion: The relatively high means indicate positive evaluations from employees regarding the levels of diversity, leadership, and high-performance practices in the National Insurance Company.

2. Exploratory Factor Analysis (EFA)

- **KMO Test = 0.823** → indicates the suitability of the data for factor analysis.
 - **Bartlett's Test of Sphericity** was statistically significant at the level ($\alpha \leq 0.05$).
- main factors were extracted, aligning with the theoretical model (each factor representing one of the three variables). All items showed high loadings on their respective factors (> 0.6).

Confirmatory Factor Analysis (CFA)

AMOS/SmartPLS software was used to confirm the theoretical model. The fit indices were as follows:

Indicator	Accepted Value	Calculated Value
CFI (Comparative Fit Index)	> 0.90	0.948
TLI (Tucker-Lewis Index)	> 0.90	0.931

Indicator	Accepted Value	Calculated Value
RMSEA	< 0.08	0.058
χ^2/df	< 3	2.14

✓ **Conclusion:** The proposed model shows a good fit with the data, confirming the structural validity of the three variables.

Correlation Analysis

Relationship	Pearson Correlation	Statistical Significance
HR Diversity ↔ Transformational Leadership	0.61	p < 0.01
Transformational Leadership ↔ HPWS	0.68	p < 0.01
HR Diversity ↔ HPWS	0.53	p < 0.01

✓ **Conclusion:** There are statistically significant positive correlations between all variables.

Main Hypothesis Analysis

The Mediating Effect of Transformational Leadership on the Relationship between HR Diversity and High-Performance Work Systems

The researcher used the **Maximum Likelihood Estimation** method through **AMOS version 24** to determine the significance of the relationships between the dimensions of HR diversity, transformational leadership, and high-performance work systems. The following table presents the model fit indicators:

Indicator	Calculated Value	Standard Value
Chi-square (P-value)	0.002	< 0.05
GFI	0.917	> 0.90
RMR	0.001	< 0.05
CFI	0.965	> 0.95

Source: Prepared by the researcher based on statistical analysis results.

Path Analysis Results

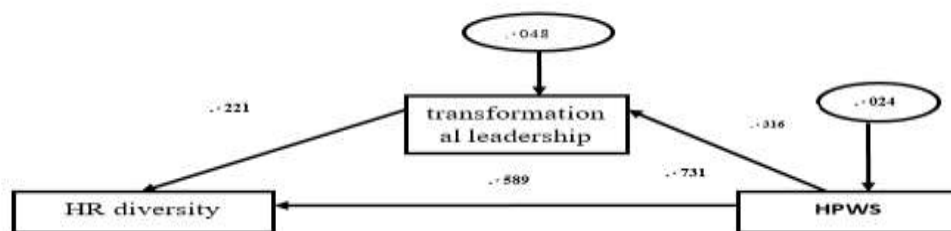
Path Analysis between HR Diversity and HPWS with Transformational Leadership as a Mediator

Path	Direct Coefficient	Path	Indirect Coefficient	Path	Total Effect	Significance
HR Diversity → HPWS (Direct)	0.589***					Significant
HR Diversity → Leadership → HPWS			0.180***		0.769***	Significant

Source: Prepared by the researcher based on statistical analysis. (** Significant at 0.001)*

The table shows that the direct effect of HR diversity on HPWS is statistically significant ($\beta = 0.589$, $p < 0.001$).

Additionally, the indirect effect through transformational leadership is significant ($\beta = 0.180$), indicating that transformational leadership mediates the relationship.



Moreover, HR diversity explains approximately **73.1%** of the variance in HPWS when transformational leadership is introduced as a mediator ($R^2 = 0.731$), with the remaining percentage attributed to other factors not included in the model and random error.

CONCLUSION

The primary hypothesis of the study is supported by the findings. The results reveal a significant positive mediating effect of transformational leadership in the relationship between human resource diversity and High-Performance Work Systems (HPWS). The value of the indirect effect was 0.180, indicating the substantial strength of the mediating role.

Recommendations

First:- Recommendations for the Administrative Sector (Insurance Companies)

- **Enhancing Human Resource Diversity Policies**

Insurance companies should view diversity as a strategic organizational asset, rather than simply a demographic consideration. This perspective encompasses diversity in educational backgrounds, cultures, and professional experiences.

✦ **Practical Recommendation:** Implement inclusive recruitment policies and establish integration programs to promote a more inclusive and cohesive work environment.

- **Adopting Transformational Leadership in Human Resource Management**

The study highlights transformational leadership as a key mechanism for converting diversity into an organizational advantage.

✦ *Practical Recommendation:* Organize training workshops for executives and managers on transformational leadership skills (e.g., individualized consideration, intellectual stimulation, vision building).

- **Implementing High-Performance Work Systems (HPWS)**

A comprehensive system encompassing selective recruitment, continuous training, incentive schemes, and performance evaluation should be developed in alignment with the insurance sector's nature.

✦ *Practical Recommendation:* Review and develop HR policies to form an integrated high-performance system.

- **Building an Inclusive Organizational Culture**

Companies should strive to foster a workplace culture that emphasizes mutual respect and collaboration among diverse teams.

✦ *Practical Recommendation:* Launch internal initiatives to raise cultural awareness and address unconscious bias.

- **Measuring the Impact of Diversity and Transformational Leadership**

It is essential to periodically assess the effects of diversity and leadership strategies on organizational performance.

✦ *Practical Recommendation:* Develop Key Performance Indicators (KPIs) to evaluate the impact of diversity and leadership on productivity and innovation

Second :- Recommendations for Government Policymakers

- **Supporting Cultural Transformation within Insurance Firms**

Government directives should encourage firms to reinforce diversity principles and modernize their leadership and HR management systems.

✦ *Policy Recommendation:* Establish government regulations requiring annual reporting on diversity practices, leadership strategies, and employee development initiatives.

- **Encouraging Commitment to Effective Leadership Practices**

Governments should promote the adoption of innovative and empowering leadership approaches.

✦ *Policy Recommendation:* Link licensing or tax incentives to the level of adherence to effective leadership practices.

- **Launching National Capacity-Building Programs for Leadership Development**

To ensure the emergence of future leaders capable of managing diversity effectively.

✦ *Policy Recommendation:* Establish specialized public training centers focused on leadership and organizational transformation.

- **Fostering Applied Research in the Insurance Sector**

Collaboration between the government and research institutions should be strengthened to inform evidence-based policy development.

✦ *Policy Recommendation:* Provide funding for empirical studies on the impact of diversity and leadership on growth and sustainability indicators in insurance companies.

FUTURE RESEARCH RECOMMENDATIONS

1. Exploring the Role of Soft Leadership as an Additional Mediator

Future studies are encouraged to examine the mediating effect of *soft leadership* in the relationship between workforce diversity and high-performance work systems (HPWS), particularly in the context of service-oriented sectors such as insurance.

2. Longitudinal Analysis of Diversity Management Outcomes

There is a need for longitudinal research to assess the long-term impact of diversity policies and transformational leadership on employee performance, innovation, and organizational adaptability.

3. Comparative Studies Across Industries and Cultural Contexts

Researchers should explore whether the mediating role of transformational leadership differs across sectors (e.g., banking, healthcare, education) or between public and private insurance firms in different cultural settings.

4. Examining Moderating Variables

Future research could investigate potential moderating factors such as organizational culture, employee engagement, or leadership style that may strengthen or weaken the link between diversity and HPWS.

5. Quantitative and Qualitative Integration

Mixed-methods research is recommended to provide deeper insights into how employees perceive diversity and leadership practices and how these perceptions translate into organizational behavior.

6. Gender and Generational Diversity in Insurance Firms

Further investigation is needed into the specific effects of gender diversity and generational diversity on work system efficiency and team dynamics within the insurance sector.

7. Development of Context-Specific HPWS Models

Future scholars could develop and validate performance management systems tailored specifically to the dynamics of the insurance industry in emerging markets.

8. Investigating the Role of Digital Transformation

As insurance companies adopt more technology-driven systems, future research may explore how digital transformation interacts with leadership and diversity to influence organizational performance.

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Appendices

Survey Instrument

Section One: Workforce Diversity (Independent Variable)

No.	Statement
1	The work team in my company is composed of individuals from diverse cultural backgrounds.
2	There is gender balance across various departments of the company.
3	There is diversity in age and experience within the work environment.
4	I work with colleagues who possess diverse educational and professional qualifications.
5	Individuals are recruited in my company based on competence regardless of background.
6	Managers encourage diverse viewpoints during discussions.
7	I believe team diversity enhances our ability to solve problems innovatively.
8	We have an organizational culture that embraces everyone without discrimination.
9	Background diversity is considered when forming teams.
10	I feel that team diversity helps us better understand customer needs.

Section Two: Transformational Leadership (Mediating Variable)

No.	Statement
1	Our team leader consistently encourages innovation and creative thinking.
2	The leader articulates a clear vision for the future and motivates us to achieve it.
3	The leader gives us the freedom to express our ideas and opinions.
4	The leader treats each individual with care and respect for their uniqueness and abilities.
5	The leader motivates us to work for the benefit of the team rather than for personal interests.
6	The leader clarifies the importance of our work and its impact on the organization.
7	The leader helps us overcome difficult challenges through continuous support and guidance.
8	The leader demonstrates commitment to ethical values and fairness in dealing with everyone.

No.	Statement
9	The leader encourages continuous learning and self-development.
10	The leader involves us in important decision-making through a participatory approach.

◆ Section Three: High-Performance Work Systems (HPWS) (Dependent Variable)

No.	Statement
1	New employees are selected based on precise criteria aligned with job requirements.
2	We receive regular opportunities for professional training and development.
3	Employees are encouraged to participate in decisions related to their tasks.
4	The company provides fair incentive policies that reflect actual performance.
5	Performance is evaluated regularly and transparently based on clear objectives.
6	I can easily access the resources and tools necessary to perform my job efficiently.
7	Employees are satisfied with the work environment and organizational fairness.
8	High-performing employees are distinctively rewarded.
9	There are policies that promote teamwork and enhance collaboration among colleagues.
10	The company's management considers employee development a long-term investment in