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KEYWORDS	ABSTRACT
Workplace Diversity, Innovation Performance, Cognitive Diversity, Inclusive Leadership, Commercial Banking Sector	<p>This study investigates the impact of workplace diversity on innovation performance within commercial banks in Pakistan's banking industry. The research aims to explore how demographic, cognitive &amp; functional diversity influence innovation processes and outcomes, and to identify organizational factors that facilitate or impede this relationship in the commercial banking context. Data were collected through semi-structured interviews with 20 employees working in various roles across multiple commercial banks. The participants were purposively selected to ensure the diverse perspectives. Thematic analysis was employed to interpret interview data, highlighting key themes around diversity's role in fostering creativity, collaboration, and innovative problem-solving. The findings reveal that workplace diversity contributes towards innovation performance in complex, conditional ways. Demographic diversity boosts market-centric innovation when combined with inclusive leadership and representational influence but depends on integrative structures and shared accountability. Leadership inclusiveness &amp; culture were identified as vital mediating factors in translating diversity into innovation outcomes. These insights underscore that diversity alone is insufficient, its impact depends on how it is embedded, and managed within institutional frameworks.</p> <p> <b>2025 Journal of Social Sciences Development</b></p>
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## INTRODUCTION

Diversity has been listed as a strategic resource in the modern organizations but its importance has grown over the past decades due to increased globalization and even more dynamic labor markets. This change can be seen in banking sector of emerging economies such as Pakistan. The combination of socio-economic development, regulatory reforms, technological improvement, and the changing

attitudes of society to inclusion and equity significantly precondition the dramatic transformation of demographic and professional structure of banking workforces (Mbewe, Kalikeka, Phiri, Mungu, Chileshe, Sakala & Chanda, 2025). In this changing environment, diversity is no longer seen as a compliance or ethical requirement but as a major factor that defines an organization performance and competitiveness. Specifically, the banking sector, which is highly knowledge-intensive, shows that diversity is driver of creativity, learning, and flexibility, which help performance in innovation (Pandey, Jayarathne, Yadav & Chandel, 2025). Innovation, which is a combination of creating and utilizing new ideas, products, processes or services is a key towards organizational sustainability and growth. In such circumstances, diversity is assumed to be the resource that enhances organizational innovative by pooling different experiences, views and cognitive frameworks (DeCaro, Schlager & Boamah, 2025).

However, despite the theoretical literature explaining these advantages, empirical evidence in a developing environment and, more specifically, commercial banking industry in Pakistan is scarce and poorly theorized. Thus, current research attempts to explain how various dimensions facilitate or limit innovation performance in commercial banks operating in Pakistan (Khan, Khan, Uddin, Khan & Marwat, 2024). Workplace diversity is a complex concept with three main dimensions; demographic diversity, cognitive diversity, and functional diversity. All the dimensions provide a different but interrelated channel over which diversity may affect innovation (Guo, Yang, Wang, Liu & Muhammad, 2024). The demographic diversity brings in socio-cultural frames of reference while cognitive diversity improves team problem-solving and decision-making by exposing the team to different interpretations and solutions (Zahno & Hossner, 2020). Such strategic resource can be provided over efficiently managed diversity that enriches human capital & creates culture that is learning oriented. The diversity of workforce enhances the capacity of innovation by giving access to broader range of knowledge, experiences, and social networks (Chierici, Tortora, Giudice & Quacquarelli, 2021).

The combination of these theoretical lenses offers a strong foundation on which the processes by which diversity influences innovation performance in banking industry can be evaluated (Gyadu, 2024). Despite the abundance of theoretical knowledge, there is no empirical evidence of linkages amid diversity and innovation, at least in non-Western environments. On contrary, other studies point out possible setbacks like communication obstacles, interpersonal tensions, and low cohesion that may hinder team performance and inhibit innovation (Cillo, Gregori, Daniele, Caputo & Bitbol, 2022). This ambiguity is especially strong in highly regulated, hierarchical industries like banking where organization culture and structural limitations can moderate or mediate impacts of diversity (Constantin, Powell & McCarthy, 2021). This paper thus aims at explaining interaction of various dimensions of diversity in determining performance of innovation amongst the commercial banks in Pakistan. Using mixed-method research design, results suggest that the relationship amid diversity and innovation varies among archetypes of banks (Ahmad, Khan, Alarfaj & Alreshoodi, 2025). In the Pakistani academic environment, the exploration of diversity in the workplace is still at an early stage.

Existing research is mainly using quantitative research methods to investigate shallow statistical relationships instead of studying in-depth processes or lived experiences. Since commercial banks

in Pakistan are key financial intermediaries and drivers of economic development, it is essential to have an intricate insight into the factors that influence their innovation capacity (Ali, Ullah & Jan, 2023). At the same time, socio-cultural aspects (gender norms, inter-generational relationships, hierarchies) present unique challenges and opportunities to use diversity as advantage. The above contextual factors further support the need of a qualitative, exploratory study to explain complex relationship between diversity and innovation in Pakistan (Ullah, Jianjun, Hayat, Palmucci & Durana, 2024). The issue of research hence is centered on the fact that little is understood about the impact of various types of workplace diversity on the level of innovation in the commercial banking industry in Pakistan (Gustafsson & Lazzaro, 2021). Moreover, there is limited knowledge on the organizational factors that mediate this relationship like leadership style, organizational culture and internal communication practices (Teixeira & Pacione, 2024). The current research is not only topical but also important.

To begin with, it donates to existing literature on workplace diversity and innovation by providing empirically informed knowledge in a developing-country setting (Tracy, 2024). This approach will allow defining the minor, processual dynamics that determine the relationship between diversity and innovation in organizations. The study enlightens on better practices of managing diversity and innovation strategies by shedding light on the situations where diversity contributes to or inhibits innovation (Asriati, 2025). The diversity is complex concept with three dimensions; demographic diversity, cognitive diversity, and functional diversity. The study finds its echo in the wider social issues in Pakistan, where the questions of inclusion, representation, and social equity are becoming more relevant (Dalkir, 2024). The study, with the help of deep qualitative investigation, reveals the way in which demographic, cognitive, and functional diversity affect innovation processes, what organizational factors donate to these processes, and how these processes occur in a culturally and institutionally distinctive setting. As result, research does not only develop theoretical knowledge but also gives practical recommendations on how to build more innovative, inclusive, and resilient banking organizations.

### LITERATURE REVIEW

The relationship between diversity in the workplace and innovation performance is anchored on mainly two theoretical frameworks namely, the RBV of the firm and UET. RBV holds that companies can achieve long-term competitive advantage through use of valuable, rare, inimitable, and non-substitutable resources in firm. Effectively managed, workplace diversity is a strategic intangible asset, which strengthens organizational learning, flexibility and innovation capability (Yari, 2024). At the same time, UET provides a behavioral perspective, which states that the properties of top management teams, such as their demographic and cognitive diversity, determine organizational decisions and performance results. The two theories meet at the point of diversity being not only a social construct but a performance-enhancing feature especially in dynamic industries like the banking sector where there is a high level of knowledge intensity and environmental uncertainty which requires innovation (Asare, Gyamfi, Arhinful & Mensah, 2025). In this linking, relationship between workplace diversity and innovation performance has been studied empirically more and

more in different contexts, although the findings are contextually different and even contradictory in the diverse contexts.

The positive effect of diversity on innovation is supported by research in the developed economies, mainly in the industries where intellectual capital and teamwork are critical (Bogilović, Bortoluzzi, Černe, Ghasemzadeh & Žnidaršič, 2021). Groups of people with diverse demographic backgrounds defy conventional wisdom, bring in non-redundant ideas, disrupt homogeneity-based cognitive patterns, leads to innovation. In a setting where these enablers are absent, demographic diversity can result, on the contrary, in interpersonal tensions, communication failures, and reduced cohesion, which may have adverse impact on team performance and innovative work (Olu & Akanji, 2025). Another important dimension is cognitive diversity, which means differences in knowledge, views, values, and thinking that the individuals contribute to the tasks. Various cognitive contributions enable organizations to discover non-obvious prospects and build stronger and innovative solutions to complex problems (Vudugula, Chebrolu, Bhuiyan & Rozony, 2023). Still, cognitive diversity may raise the time it takes to make decisions and require more formalized coordination systems. The trick is to manage the creative tension that cognitive diversity brings and the efficiency needed to make things work.

With proper management, the costs of cognitive diversity are overshadowed by the innovation-enhancing effects of cognitive diversity (Pillai, Arasli, Haldorai & Rahman, 2025). Innovation performance has been attributed to functional diversity as defined as variation in professional roles, areas of expertise and career experiences in a team. In commercial banking, such as an example, the teamwork amid IT experts, marketing experts, financial analysts, customer relationship managers may result in the digital banking solutions or process reengineering of customer services (Nicoletti & Nicoletti, 2021). The functional diversity helps in integrating the expert knowledge with the more general organizational views and increases absorbent size and culture of experimentation. In absence of such mechanisms, functional diversity lead to role based conflict and direction problems that impede innovation (Nicoletti & Nicoletti, 2021). Although there is a well-theorized positive potential of diversity in workplace to innovation, research in developing economies, especially in South Asia, shows intricate scenario. Gender norms, age-based seniority & professional hierarchies can present structural barriers to inclusive collaboration in commercial banking sector in Pakistan (Bano & Liu, 2025).

Despite the progress that banks have achieved in diversifying their workforce, the organizational culture that underlines them is usually not easily changed and thus the benefits of diversity may not be fully achieved. Such a gap between policy and practice shows that diversity is not sufficient to ensure innovation performance unless it is accompanied by presence of enabling organizational conditions, including inclusive leadership, employee empowerment, and an innovation-friendly climate (Ekroos, 2023). The latest qualitative research has started to reveal subtle means through diversity impacts innovation in non-Western settings. Marginalized employees tend to introduce perspectives that challenge orthodox routines and suggest new ways of practice based on another life experiences (Gabriel, Arena, Chawla, Corwin, Ezerins, Jones, Klotz & Larson, 2022). But these contributions can only be effective in case the organizational environment is open to criticism and

change. In cultures that are rigid and authority-based like those that are present within most South Asian financial institutions, voices that are dissenting can be pushed to the periphery, and any new ideas might not take off. The results support necessity to develop context-sensitive models, which consider interaction amid diversity, organizational culture, and innovation systems (Filatotchev, Ireland & Stahl, 2022).

Intersectionality of the dimensions of diversity has become an area of study that is of paramount importance. On the other hand, a cognitively diverse team, is not functionally diverse, can produce strong ideas but have difficulty with execution, which highlights need to have complementarity between the types of diversity (Zhou & Li, 2024). It requires a holistic management of diversity that acknowledges inter-dependence of different diversity attributes and develops interventions based on this. This kind of strategy is especially relevant to the banking industry, which needs to be innovative in terms of idea generation, functional areas coordination, regulatory compliance, and customer-focused implementation (TESCARI, 2023). However, there are still some research gaps that are critical. First, the majority of existing researches are quantitative and do not focus on the experiential and processual aspects in which diversity influences innovation. To understand the role of diversity in practice on innovation, more knowledge is required on the daily practices, social interactions and organizational routines (Shah, 2024). Generalizability is therefore geographically & culturally biased and does not pay attention to specific measures of diversity and innovation in non-Western contexts.

Third, little effort is paid to mediating and moderating variables that affect diversity-innovation relationship. The leadership style, psychological safety, communication climate and organizational structure are rarely systematically incorporated into empirical models even though they have been proven to be important (Yin, Ma, Yu, Jia & Liao, 2020). The current research aims at filling these gaps by investigating how diversity in the workplace, which is demographic, cognitive, and functional, influences innovation performance in banks in Pakistan (Sidani, 2024). Such context-dependent, multi-dimensional questioning provides a more holistic, more detailed description of the mechanism of diversity functioning in actual organizations and its contribution to innovation outcomes (Maharani, Alfina & Indawati, 2024). Third, functional diversity is hypothesized to contribute to innovation through integration of cross-functional knowledge and interdisciplinary cooperation, which depends on level to organization promotes cross-functional integration and cross-group respect. These hypotheses suggest that diversity is complex, context-specific driver of innovation whose impact is mediated by internal abilities and external constraints (Ferrer, Latorre & Fuentelsaz, 2025).

### RESEARCH METHODOLOGY

The research used a qualitative research design based on an interpretivist philosophical paradigm to explore context-sensitive relationship that exists between diversity and innovation performance in workplace in context of commercial banks in Pakistan. The interpretivist position is especially appropriate since it focuses on the interpretation of social phenomena in terms of lived experiences, subjective meanings, and contextual realities of people (Sohail et al., 2023). Instead of trying to find out some universal laws or patterns that can be generalized, the study is intended to reveal the way



employees of banking institutions perceive and construct diversity and its effects on innovation in their organizational contexts. With fact that diversity and innovation are both socially constructed, and require interaction, dialogue, and organizational culture to exist, an interpretivist approach provides the flexibility and depth to provide the nuanced insights (Sohail et al., 2022). The target population will be the employees of commercial banks in Pakistan both in the public and in the private sector. The banking sector of Pakistan is an essential part of the national economy and has knowingly changed during last years, especially in terms of digitalization, regulatory changes, and workforce diversification.

However, the industry is still highly entrenched in hierarchical organizational systems and socio-cultural convention that shape employee behavior and institutional practices (Cooper et al., 2021). This situational complexity explains why it is perfect environment to explore interaction between dimensions of workplace diversity, including demographic, cognitive, and functional and dynamics of innovation. The research does not aim to present whole population of banking sector in statistical terms; rather, it aims at reflecting a range of experiences within a strategically selected sample of banking sector representatives that covers diversity of sector in terms of gender, age, professional role, tenure, and educational background (Baah et al., 2020). In order to realize this goal, purposive sampling strategy was adopted, which allowed researcher to choose participants purposefully with view to providing rich, relevant, and diverse information on research questions. The sample size used was 20 participants who were taken across various commercial banks in major cities in Pakistan like Karachi, Lahore and Islamabad. Most of large banks have their headquarters and regional offices in these cities and are thus a miniature of the operational and cultural diversity of the sector (Arif & Aldosary, 2023).

The sample consisted of workers of various departments, operations, human resources, marketing, IT, finance, and customer service, and people of various hierarchical levels, including entry-level employees & mid-level managers. The purposive method allowed diverse selection of participants in terms of demographic and professional backgrounds, which guaranteed credibility and validity of their views on way diversity is reflected in everyday work practice and impacts the innovation efforts. The questionnaire included open questions that rotated around how participants perceived diversity in their workplace, the type of social interaction they had with diverse colleagues, their experience with process of innovation, and perceived facilitators and barriers to innovation driven by diversity (Griffin, 2025). Open-ended survey questions allowed the gathering of rich textual data, but it was consistent across respondents. The questionnaire was piloted to a small sample of the banking professionals before it was spread to make sure that it was clear, relevant culturally sensitive. Data were coded through a systematic thematic analysis of responses of the participants in order to identify patterns and categories that matched the conceptual framework of the study (Hou et al., 2024).

The research process was conducted with the high ethical standards to protect the rights of the participants, their confidentiality, and integrity of data. All subjects were told the purpose of the study, that they were participating voluntarily and that they could leave the study at any time without penalty. Written informed consent was taken before data collection and anonymity and

confidentiality were assured. The data were kept safely in password-protected digital files and could only be accessed by the researcher (Uzonyi et al., 2023). Ethical clearance was also given to the study by the concerned academic institution and this ensured that all the activities conducted in the study were in line with the international standards of research on human subjects. There was particular concern to prevent coercion, since the banking industry in Pakistan is hierarchical, and care was taken to make participants feel comfortable and safe to give honest, authentic opinions (Suleiman, 2024).

### RESULTS OF STUDY

The current qualitative research on topic of commercial banking in Pakistan provides a complex, situation-specific relationship between diversity in the workplace and innovation performances. Twenty semi-structured interviews are analyzed on thematic basis which reveals five major themes that define the extent to which diversity, in terms of the demographic, cognitive, functional, and organizational diversity, contributes or limits the level of innovation. These themes demonstrate that diversity acts as a driver of the ideation, problem-solving and digital transformation but these benefits only occur when the organization embraces the inclusion, tolerates dissent and thus allows interdisciplinary work.

#### Inclusive Demographics & Market-Centric Innovation

The study on innovation management conducted recently revealed demographic diversity as a key variable capable of producing client-relevant inclusive innovations. The participants observed that gender, generational, ethnic, and educational level disparities provide organizations with new insights when exploited adequately can enhance innovation outputs in customer relations, product development and service delivery. Still, even despite these expected advantages, the performance effect of kind of diversity is still rather weak due to deep-rooted hierarchical patterns, mimetic tokenism, and inability to reach forums. "We have interns and new hires with fintech degrees who propose great ideas for mobile apps, but they're never in the room when final calls are made," one officer remarked.

Another respondent shared, "Our female colleagues suggested redesigning loan communication process because women customers weren't responding. That insight came from lived experience but no one followed through." A senior team member reflected, "Diversity exists, yes, but the inclusion doesn't. Women are on the floor, not in the meetings that matter." An IT officer observed, "Some of the most practical innovations we implemented came from the junior analysts from the minority backgrounds, yet their names never make it to the recognition board." Another participant stated, "Our clients are diverse, and so should our teams be. Ethnic and regional representation helps us tailor solutions, especially in the rural banking." Thus, one respondent summarized, "Educational background diversity matters too. Our best client-retention idea came from someone with a design degree, not finance."

#### Cognitive Diversity & Disruption of Conventional Thinking

The study of innovation performance shows that cognitive diversity is the most related variable to innovation performance according to empirical studies. The common report of the respondents was

that the exposure to the heterogeneous mental models and cognitive structures helps to break the conventional assumptions and it enables more creative solutions and more robust strategic plans. Still, this potential is often inhibited by the fact that leaders feel uncomfortable with disagreement and organizational propensity to conformity. One respondent shared, "In my team, we have an economist, an engineer, and a sociology major. Our brainstorming sessions are noisy but ideas that come out are brilliant."

A compliance officer explained, "Sometimes, innovation happens because someone asks a question other are afraid to raise. That's usually cognitively diverse member, someone who doesn't think like a banker." Another participant noted, "We almost rejected a project because it seemed too risky, but teammate with psychology background reframed customer behavior data and that changed everything." A younger employee stated, "I've seen many great ideas die in meetings because the presenter didn't think like rest and leadership took that as a threat, not a strength." One respondent added, "When everyone in the room agrees, we should be worried. That's when we stop innovating." Another observed, "cross-pollination of ideas only happens when we let people think differently & disagree productively."

### **Functional Diversity & Cross-Departmental Synergy**

The concept of functional diversity (as regional roles, specific technical expertise, and different career paths) was interpreted collectively as precondition and source of difficulty in development of innovation performance. In this connection, the respondents emphasized the cases when cross-departmental projects, when IT, marketing, customer service, and risk management departments were connected, triggered successful innovations. However, when there were no well-defined organizational structures and common language to be used, the functional diversity was most likely to result in fragmentation instead of synergy. In this linking, an innovation lead stated, "Our digital lending product came to life only because operations, IT, along with the customer care were involved from day one."

A technology officer recalled, "We developed a great service prototype, but it stalled because finance and compliance weren't aligned on the risk model." One project manager explained, "Inter-departmental collaboration sounds good in policy, but in practice, we're still operating in silos. That kills momentum." Another participant shared, "When departments meet just once a quarter, how can they innovate together? We need real-time, integrated spaces to work." A senior associate observed, "Our bank launched a new customer journey model. It only succeeded because project team included everyone from UX to branch managers." One analyst added, "Even something as small as shared KPIs across departments would go a long way. Therefore, otherwise, we're pulling in different directions."

### **Leadership Inclusiveness as a Mediator of Innovation Outcomes**

The role of leadership has come out as a decisive moderator of the relationship between diversity and innovation performance. In particular, it was shown that inclusive leadership, is characterized by open communication, trust, and shared responsibility, was the most relevant predictive factor as regards the degree to which different inputs are adequately converted into meaningful innovation



results. Autocratic, indifferent leadership styles on other hand were observed to quash dissent and hence reduce role that diversity plays in innovation efforts. A mid-level manager explained, “My team flourished only after our new supervisor started asking everyone for ideas regardless of their grade or background.”

Another shared, “The difference between a flat discussion and a productive one is the leader. If they shut you down once, you stop contributing.” A junior analyst remarked, “I once presented a solution that was overlooked until a senior manager said the same thing weeks later—then it was accepted instantly.” In this connection, one participant observed, “Even when there is diversity in the room, it doesn’t matter unless leadership is ready to listen and adapt.” A customer relationship executive stated, “Our last major innovation was not top-down—it emerged because our manager let the front-line staff propose improvements directly.” In this linking, another reflected, the “Leadership inclusivity isn’t just a value; it’s a mechanism. It shapes whether diversity adds value or just sits in the background.”

### Organizational Culture as the Bridge Between Diversity and Innovation

The last theme deals with organizational culture which is defined as the general situation which defines whether diversity can boost innovation among respondents. The participants made strong contrasts between innovation-active and official culture, based on psychological safety, constant learning, and experimentation; and, on other, limited innovation by strict rules and fear of risk. A respondent stated, “Our branch innovates because we’re allowed to test ideas. We’re not punished for failure expected to learn from it.” Another participant stated, “In some units, suggesting change is seen as criticism.

That mindset turns diversity into conflict instead of creativity.” One project officer reflected, “The most diverse team I worked on had zero impact because our department head didn’t believe in planning.” An HR executive noted, “Innovation happens in banks where learning is continuous, not periodic. That culture makes difference.” A customer insight leads shared, “We only started seeing innovation metrics move when introduced feedback-driven performance review model.” Another summed up, “Culture is soil where diversity grows or withers. Without it, you can plant all you want; nothing will thrive.”

## DISCUSSION

The research explains a complex relationship between diversity and innovation performance in the workplace in commercial banking industry in Pakistan, both in terms of substantive opportunities and unresolved challenges. Based on the insights of employees in various banks, the results have shown that diversity at its best when adopted and managed in a strategic way can serve as a driver towards enhanced ideation, alternative problem-solving, and extensive market comprehension. The participants always recorded how the diversity in demography, especially gender and age, brought different life experiences and communication patterns that led to more inclusive decision-making (Warth et al., 2023). At the same time, the younger generations were often related to the technology literacy and risk-taking, and the older generations brought institutional knowledge and procedural depth. Despite this recognized complementarity, the existing hierarchical and

seniority-based organizational structures were found to be regularly suppressing input of younger and junior workers, thus limiting the potential of innovation dividends of demographic diversity (Thafer, 2023).

Cognitive diversity proved to be the determining and most positively evaluated dimension that determines results of innovation. Respondents stressed that the people with different educational levels, thinking styles and analytical mindsets brought new ideas that broke the traditional wisdom and prompted them to explore more. Teams that had a mix of strategic thinkers, detail analysts and customer-oriented individuals were significantly more probable to develop new service offerings and process enhancements (Torpo, 2023). In this connection, these benefits however depended on the existence of psychological safety and open communication. Thus, cognitive diversity in many instances created tension because of divergent opinions that were poorly handled, or because of the resistance of the senior managers towards unusual ideas. The innovation was always high in the units where the leadership was open toward disagreement and where inquiry and experimentation cultures were actively fostered (Özdemir et al., 2024). Functional diversity was also evaluated by most participants as a two-edged sword. In this linking, on the bright side, the interdepartmental cooperation was reported to be one of the key drivers of digital banking creativity, innovations and simplified procedures.

Such projects were often successful because they were the products of co-creation of integrated solutions that were the result of different expertise and holistic design thinking. On the other hand, inflexible departmental silos, lack of consistency in terminologies and insufficient collaborative infrastructure were cited as obstacles (Ilkpuri, 2023). The lack of coordinating mechanisms to the functional diversity tended to create the confusion, duplication, and interpersonal conflict. The participants emphasized that, although it was important, the functional diversity needed to have shared objectives, the role definition, and shared project leadership in order to become relevant in terms of innovation performance (Du et al., 2024). Leadership was an important organizational moderator of diversity innovation nexus. The findings added weight to the importance of inclusive leadership in the use of diversity to drive innovation. Managers who solicited different views, recognized the unique strengths of every team member and demonstrated collaborative behavior were more effective in developing innovation. On the contrary, the autocratic or indifferent styles discouraged open communication, the voices of the minorities, as well as the enforced conformity (Guerra, 2025).

The same effect was created by organizational culture. The advantages of diversity were enhanced by innovation-based cultures that were open, experimental, and with constructive feedback loops. In contrast, less progressive and less flexible cultures, however, even most well-meaning diversity programs were in danger of being tokenistic and having no quantifiable effect on the innovation outcomes (Padavic et al., 2020). Diversity was found to be effective in promoting innovation in some banks and not in others. The diversity to innovation relationship was moderated by the institutional size, management philosophy, technological maturity and strategic orientation. The banks with a formal diversity and inclusion strategy in their innovation strategy, and in which the HR practices played an active role in diverse hiring and team building, showed a greater connection between

diversity and innovation performance (Sharma et al., 2023). In this connection, in contrast, banks that considered diversity as the compliance issue or a public-relations initiative achieved little returns on the innovation, which underscores the importance of matching the diversity values and innovation aspirations.

Overall, the research shows that diversity in work place, both in terms of demographics, cognitive, and functional, has a huge potential of promoting innovation within the Pakistani commercial banking industry. Still, this potential does not necessarily happen automatically; it is contingent on contextual enablers, including inclusive leadership, cross-functional coordination, psychological safety, and strategic alignment (Wang et al., 2025). Cognitive diversity in many instances created tension because of divergent opinions that were poorly handled, or since of resistance of the senior managers towards unusual ideas. The lack of organizing mechanisms to functional diversity tended to create confusion, duplication, and interpersonal conflict. Shallow or organizationally supported diversity may alternatively create tension, lack of understanding, inefficiency which undermines innovation. These benefits however depended on the existence of psychological safety and open communication. The diversity becomes an effective driver of creative thinking and competitive differentiation when integrated into culture that values diverse views & inspires experimentation (Sanyang & Ali, 2023).

### Recommendations

Based on these results, several recommendations can be made: (1) banks should invest in leadership development that focuses on inclusive leadership competencies, such as active listening, empathy, cultural intelligence, conflict resolution; (2) HR departments need to go beyond symbolic diversity programs by designing comprehensive diversity and inclusion initiatives that are consistent with innovation goals, like diverse hiring, cross-functional team compositions, performance incentives based on innovation; (3) banks should create formal cross-functional collaboration mechanisms, including innovation task forces, interdepartmental workshops, and shared digital platforms that enable the exchange.

### Contributions & Future Avenues

In theory, the research adds to the growing body of knowledge in the interplay between diversity and innovation in the non-Western settings by providing empirically based knowledge on the mediating role of cultural, institutional, and organizational factors. It questions the presumption of equal causality between diversity and innovation and the focus on context-specific enablers. In practice, the research offers practical sanctions to banking executives, human resource managers, and innovation planners who want to better utilize diversity, and this is because diversity should not be perceived as an end but as a strategic tool that can be unlocked by making specific decisions within organization.

To the policymakers and regulators, the findings imply that the diversity should be encouraged by simultaneously changing cultures and encouraging innovation-related behaviors through rewarding. Thus, with technological disruption and shifting consumer expectations, as the Pakistani banking industry develops, the ability to use diversity as a source of innovation will be the key

source of resilience and differentiation. In this linking, the research provides the basis of future research and practice in an attempt to develop inclusive, dynamic, as well as desired innovation-competent organizations.

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