







“Diversity management practices and employee engagement in multicultural workplaces: A moderated mediation study in Hungary’s service sector”

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DIVERSITY MANAGEMENT PRACTICES AND EMPLOYEE ENGAGEMENT IN MULTICULTURAL WORKPLACES: A MODERATED MEDIATION STUDY IN HUNGARY'S SERVICE SECTOR

Abstract

The growing diversity of Hungary's service sector has created both opportunities and challenges for organizations in fostering employee engagement. This study aims to examine the impact of diversity management practices (DMP) on employee engagement, emphasizing the mediating role of conflict management climate (CMC) and the moderating role of leadership support. Grounded in social exchange theory and the resource-based view, the paper addresses the need to understand how DMPs influence engagement within multicultural workplaces.

Data were collected through an online self-administered questionnaire distributed via social media and email channels. Using a snowball sampling approach, 744 potential respondents were reached across different service companies. After excluding incomplete responses, 461 valid questionnaires were retained, yielding a 62% response rate.

Well-established scales from prior research were employed to measure the constructs, and reliability and validity were confirmed through Cronbach's alpha, AVE, CR, and CFA. Structural equation modeling (AMOS v22) and PROCESS macro (Model 8) were applied to test the hypotheses. Results indicate that DMP significantly improves employee engagement ($\beta = 0.348, p < 0.001$), with career development and performance appraisal showing the strongest effects. CMC positively predicts engagement ($\beta = 0.193, p < 0.01$) and fully mediates the relationship between DMP and employee engagement (indirect effect: $\beta = 0.196, p < 0.001$). Leadership support significantly moderates the effects of DMP on engagement ($\beta = 0.351, p < 0.001$) but not on CMC. The model explains 29.9% of the variance in CMC and 49.2% in engagement.

Keywords

diversity, inclusion, conflict, engagement, leadership, service, Hungary

JEL Classification

M14, M12, J71

INTRODUCTION

Workplaces have become more diverse due to globalization, technological advancements, and migration, leading to significant changes in organizational demographics. These changes include higher representation of women, ethnic minorities, and individuals with diverse backgrounds, reflecting the continuous evolution of international labor markets (Aoun & Gibeily, 2013; DeNisi & Griffin, 2015). For instance, it has been suggested that in the coming decades, a large proportion of organizational workforces will consist of women, with many being migrants, and other minority groups may even represent the majority in certain sectors of business (Carstens & De Kock, 2017). Such demographic changeovers have highlighted the importance of managing diversity effectively, since organizations that successfully adapt to these transitions are more likely to remain competitive in global business environments (Lakshmi, 2012).

Diversity management has therefore emerged as an important element of organizational strategy, involving deliberate actions to recruit, retain, and promote individuals from diverse backgrounds while creating a fair and inclusive workplace climate (Ivancevich & Gilbert, 2000; Yadav & Lenka, 2020). However, while diversity provides benefits like innovation and a wider range of perspectives, it may also lead to conflicts stemming from varying viewpoints and motivations among employees. This reality underscores the need for an effective conflict management climate (CMC) to constructively address differences, reduce tensions, and foster collaboration (Aoun & Gibeily, 2013). At the same time, leadership support plays a critical role in shaping how diversity and conflicts are managed, since leaders influence organizational culture and play a central role in motivating employee engagement (Alfoqahaa & Jones, 2020; Buengeler et al., 2018).

The Hungarian service sector, which contributes around 65% of the country's GDP, has been experiencing a significant transformation. Recent years have seen a noticeable increase in the number of international employees due to economic growth, multinational relocations, and geopolitical events such as the Russia-Ukraine war (Bisztrai et al., 2020; Moldicz, 2022). While this growing, diverse workforce offers opportunities for greater competitiveness and innovation, it also presents challenges in integration, workplace equality, and inclusion. Previous research indicates that diversity management practices in Hungary have had limited influence in reducing discrimination and addressing the inequalities faced by foreign employees (Gera, 2016; Gross-Gołacka et al., 2022).

As Hungarian service-sector organizations become more multicultural, a key challenge emerges: how can they benefit from diversity and turn it into positive outcomes rather than sources of conflict? Although diversity management practices are increasingly adopted, many organizations in Hungary's service sector still struggle to ensure fair treatment and to build climates that truly engage employees from various backgrounds. This suggests that the mechanisms linking diversity management practices to employee experiences remain inadequately understood within this sector. Therefore, the research problem of this study is the insufficient understanding of how diversity management practices translate into employee engagement in Hungary, where a rapidly growing multicultural labor force is accompanied by underdeveloped organizational responses.

1. LITERATURE REVIEW AND HYPOTHESES

The growing complexity of today's workplaces has made diversity management a central theme in organizational research and practices. As organizations become multicultural, understanding how to manage diversity effectively has become essential for both scholars and practitioners. Diversity management involves the intentional implementation of programs, policies, and practices aimed at fostering equity and inclusivity within organizations. Nkomo and Hoobler (2014) define it as creating an equitable work environment through structured initiatives, while Torres and Bruxelles (1992) emphasize its goal of creating a workplace where individuals from diverse backgrounds can realize their full potential without discrimination.

Diversity management goes beyond equity, cultivating a culture that values both differences and

similarities, enabling individuals to contribute meaningfully to organizational goals (Gross-Gołacka et al., 2022). It also requires addressing workforce diversity complexities by embracing differences in values and perspectives. Inegbedion et al. (2020) argue that diversity management is not merely about tolerance but also purposefully incorporating these distinctions to create a collaborative work environment.

Effective diversity management enhances performance, engagement, and innovation by leveraging varied perspectives in decision-making, and it helps mitigate challenges like prejudice, bullying, and communication barriers (Özbilgin et al., 2019).

Over time, diversity management has shifted from an operational HR function to a strategic priority. Besler and Sezerel (2012) highlight its central role in strategic HRM, contributing to long-term orga-

nizational success. Many organizations now embed diversity principles into their strategic frameworks, recognizing it as a source of competitive advantage (Jonsen & Özbilgin, 2014).

To translate these principles into practice, organizations rely on diversity management practices (DMP), which are concrete, formalized strategies for managing workforce diversity effectively by leveraging employees' unique strengths to advance organizational objectives (Guillaume et al., 2017; Yang & Konrad, 2011). These practices include diversity awareness training, equitable pay systems, career development, and culturally neutral performance appraisal (Pendry et al., 2007; Petts et al., 2022; Sharma et al., 2019). Research suggests that DMP must be tailored to organizational contexts, as "one size fits all" approaches often fail (Kalev et al., 2006). Supporting this, Mehari et al. (2024) show that DMP effectiveness depends on organizational climates that facilitate open communication and fair conflict resolution.

Theoretical perspectives shed light on the broader value of diversity practices. The resource-based view (RBV) suggests that a diverse workforce provides competitive advantages such as improved performance, creativity, cost savings, and product variety (Cox & Blake, 1991; Richard et al., 2003). Managers' perceptions of diversity's relevance to organizational efficiency directly impact its adoption, making diversity a valuable and scarce resource that enhances competitiveness. Recent evidence by Noor et al. (2024) further confirms that DMP foster inclusivity and organizational efficiency, especially when they are systematically implemented across key HR functions. Moreover, they highlight the relevance of these diversity management practices for both employee well-being and organizational performance. However, the effectiveness of such practices depends strongly on organizational climates, particularly the conflict management climate (CMC). Blomberg et al. (2024) provide additional evidence that organizations with strong conflict management climates achieve higher psychological safety and engagement among employees, especially in diverse teams.

Conflict management climate (CMC) refers to employees' perceptions of how fairly and effectively conflicts are handled within their organi-

zation (Einarsen et al., 2018). In multicultural workplaces, CMC is critical in shaping employee engagement by easing interpersonal tension and preventing bullying. A supportive conflict climate diminishes the effects of excessive job pressures and role ambiguity (Blomberg et al., 2024; Zahlquist et al., 2019) while fostering open communication and psychological safety (Krishna et al., 2024). Zahlquist et al. (2023) further show that supportive climates mitigate the negative effects of role conflict and reduce disengagement in diverse work settings. Research highlights that CMC mediates the relationship between DMP and employee engagement, which helps explain how inclusive practices translate into higher commitment and well-being (Jehn et al., 1999; Mehari et al., 2024).

Departmental culture also matters; hostile climates amplify the negative effects of role conflict on bullying, while supportive climates mitigate them (Zahlquist et al., 2023). Thus, both CMC and leadership support are critical elements through which DMP promotes engagement and helps cultivate inclusive and psychologically safe work environments. This mechanism is supported by Riyanto et al. (2021), who found that motivation enhances performance only when it is mediated by employees' engagement, highlighting engagement as a key channel through which organizational practices translate into outcomes. Similarly, Hamza et al. (2024) showed that transformational leadership boosts affective commitment and change support through innovative behaviors. Likewise, Alkhodary (2025) found that transformational leadership boosts emotional commitment and changes support intention, which aligns conceptually with engagement as a key driver of proactive employee outcomes.

Employee engagement has also been central in explaining the benefits of diversity management. Despite the wide range of definitions, employee engagement is commonly seen as the extent to which employees connect with and identify with their work and organization (Armstrong & Taylor, 2017; Horváthová et al., 2019). Schaufeli et al. (2002) describe it as "a positive, fulfilling, work-related state of mind that is characterized by vigor, dedication, and absorption" (p. 74). Engagement levels are enhanced when employees perceive fairness, purpose, and organizational support positively (Alshaabani et al., 2021; Shuck & Wollard, 2009). Theoretical

frameworks such as social exchange theory (SET) argue that when organizations invest in inclusive practices, employees reciprocate with higher emotional and behavioral engagement (Blau, 1964; Ghasempour Gangi & Kafahpour, 2017). Empirical studies confirm that transparent diversity policies, inclusive recruitment, and culturally sensitive evaluations enhance engagement across diverse contexts (Alshaabani et al., 2022; Downey et al., 2015). Krishna et al. (2024) demonstrate that inclusive leadership practices amplify these effects, fostering both engagement and well-being.

However, diversity can also create tensions. Without effective management, employees may perceive inequality in hiring or promotions, leading to conflict (DeNisi & Griffin, 2015). Research shows that poorly managed diversity increases tasks and interpersonal conflicts (Ayub & Jehn, 2010; Pittman, 2020), whereas well-designed DMP reduce tensions and foster climates of fairness and respect (Choi & Rainey, 2013). A positive conflict management climate enhances engagement, innovation, and retention, while negative climates harm well-being and commitment (Balay, 2007).

Leadership support plays a crucial role in developing a positive organizational climate, especially in how conflicts are managed and how engaged employees remain. It further strengthens these dynamics by fostering psychological safety and ensuring that conflicts are resolved constructively (Edmondson & Lei, 2014; House, 1971). Supportive leadership meets employees' psychological needs for autonomy, competence, and belonging, promoting trust and commitment (Hocine & Zhang, 2014). Importantly, leadership support moderates the link between diversity management practices, CMC, and employee engagement, amplifying their positive effects by fostering fairness and mitigating perceived bias (Hetland et al., 2018; Nishii & Mayer, 2009). In the Hungarian service sector, where foreign employees often face uncertainties and integration challenges, leadership support becomes especially critical in reinforcing fair practices and maintaining engagement. Without leadership support, it is difficult for DMP to align with the organization (McKay et al., 2009).

In sum, the literature highlights that DMP enhances employee engagement when supported by CMC and leadership support. These interrelated

factors not only foster fairness and psychological safety but also help organizations transform diversity into a strategic resource.

Building on the insights from the literature review, this study aims to examine the impact of diversity management practices (DMP) on employees' engagement in Hungarian service-sector organizations, with conflict management climate as a mediator and leadership support as a moderator.

The context of this study is service companies in Hungary, which are becoming increasingly multicultural and where employees are experiencing diversity initiatives, conflict management climate, and leadership support.

Based on the literature review, the following hypotheses were developed:

H1: Diversity management practices positively influence engagement levels of foreign employees in Hungary.

Ha: It is expected that at least one of the studied diversity management practices will demonstrate a strong relationship with employee engagement.

H2: Diversity management practices positively influence conflict management climate among foreign employees in Hungary.

H2a: It is expected that at least one of the studied diversity management practices will demonstrate a strong relationship with conflict management climate.

H3: Conflict management climate positively impacts the engagement levels of foreign employees in Hungary.

H4: Conflict management climate serves as a mediator in the relationship between diversity management practices and employee engagement among foreign employees in Hungary.

H5a: Leadership support will moderate the impact of diversity management practices on conflict management climate among foreign employees.

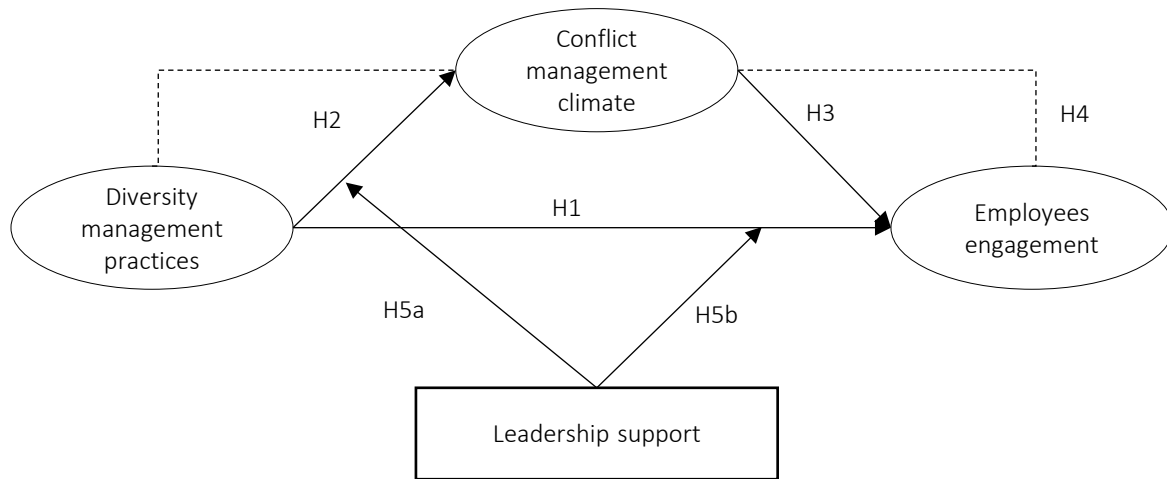


Figure 1. Study model

H5b: Leadership support will moderate the impact of diversity management practices on engagement levels of foreign employees.

The general research model is illustrated in Figure 1.

2. METHODS

This study focuses specifically on employees with an immigration background, given the unique challenges they face in the post-crisis work climates. Foreign employees are more likely to perceive inequalities and vulnerabilities, which can lead to disengagement, job insecurity, and conflicts when they feel unsupported by their organizations (Alshaabani et al., 2022; Rudolph et al., 2021).

To achieve the study’s purposes, this study targeted 744 potential respondents from various service companies. Through a snowball sampling technique and an online self-administered questionnaire, we were able to reach the intended population. Data collection took place in the first half of 2023. Following data collection, additional time was required for data preparation, validation, and alignment with recent literature to ensure clarity and adequacy. Participation was voluntary, and respondents were assured of anonymity and confidentiality. Informed consent was obtained on the introductory page of the questionnaire. The questionnaire was distributed via social media and email channels. After excluding incomplete or inconsistent responses, 461 valid responses were retained, yielding a response rate of 62%. The demographic characteristics of the sample are outlined in Table 1.

Table 1. Personal characteristics of the study’s sample

Variables	Items	Count	%
Gender	Male	219	47.6
	Female	242	52.4
Age	Between 18 and 24	76	16.4
	Between 25 and 35	184	40
	Between 34 and 44	180	39.1
	Between 45 and 64	21	4.5
Educational level	Undergraduate	110	23.8
	Graduate	195	42.4
	Postgraduate	156	33.8
Organization size	≤ 50 employees	173	37.6
	50 to 500 employees	193	41.8
	≥ 500 employees	95	20.5
Service sector	Agricultural services	49	10.7
	Education and research	43	9.3
	Financial and insurance	106	23
	Other services	104	22.5
	Telecommunication	50	10.8
	Hospitality	44	9.5
	Not specified	65	14.2

The study relied on established measures that had been previously tested and validated in organizational research.

Diversity management practices were measured using a 24-item scale adapted from prior studies (Aldaibat et al., 2019; Armstrong et al., 2010; Buengeler & Den Hartog, 2015; D’Netto et al., 2014; Magoshi & Chang, 2009). The scale includes four dimensions: reward and pay sys-

tems, performance appraisal, diversity training awareness, and career development. Responses were collected using a 5-point Likert scale, where 1 signifies “Totally Disagree” and 5 signifies “Totally Agree.” Conflict management climate was assessed using a five-item scale adapted from Furnham and Goodstein (1997), with evidence of reliability and validity previously confirmed by Alshaabani and Rudnák (2022). Leadership support was measured using a five-item scale adopted from House and Dessler (1974) and Iqbal et al. (2014). The responses were recorded on a 7-point Likert scale ranging from “Totally Disagree” to “Totally Agree.” Employee engagement was evaluated using the short version of the Utrecht Work Engagement Scale (Schaufeli et al., 2002), consisting of nine items divided into three dimensions: vigor, absorption, and dedication. Responses were collected using a 7-point Likert scale, where 1 signifies “Never” and 7 signifies “Always.” The full list of questionnaire items for all variables is presented in Table A1 of Appendix A.

Reliability was examined prior to analysis, and all constructs demonstrated Cronbach’s alpha values exceeding 0.7, indicating high internal consistency (Sekaran & Bougie, 2016). Construct validity was tested through exploratory factor analysis (EFA) using principal component analysis with varimax rotation. The Kaiser-Meyer-Olkin (KMO) score of 74.9%, and Bartlett’s test of sphericity ($p < 0.001$) confirmed the data’s suitability for factor analysis. Four factors with eigenvalues greater than one explained 59.23% of the variance, exceeding the 50% benchmark (Hair et al., 2017). A confirmatory factor analysis (CFA) was then conducted to assess convergent validity. One item (LS5) was removed due to low loading; after this, the average variance extracted (AVE) values exceeded the 0.50 threshold, and the composite reliability (CR) values surpassed 0.70, confirming convergent validity and internal consistency (Bagozzi & Yi, 1991). The results are summarized in Table 2.

Table 4. Model fit indices

Fit index	χ^2	Df	χ^2/df	NFI	CFI	RMSEA	SRMR
Model 1	280.021	65	4.31	.93	.94	.07	.05
Model 2	210.005	62	3.39	.94	.95	.06	.04
Model 3	185.082	60	3.08	.95	.96	.06	.04

Table 2. Internal consistency and convergent validity

Variable	Items	Alpha Cronbach	AVE	CR
Diversity management	24	0.94	0.65	0.92
Diversity training	6	0.83	0.57	0.80
Diversity reward	6	0.85	0.52	0.84
Diversity performance appraisal	6	0.84	0.54	0.77
Diversity career development	6	0.86	0.52	0.75
CMC	5	0.86	0.59	0.87
Leadership support	4	0.91	0.69	0.91
Employee engagement	9	0.92	0.63	0.93

Discriminant validity was verified using the Fornell-Larcker criterion, which showed that the square root of the AVE of each construct exceeded inter-construct correlations, thus supporting discriminant validity (Table 3).

Table 3. Discriminant validity – Fornell-Larcker criterion

Variables	DMP	CMC	LS	EE
DMP	0.814	–	–	–
CMC	0.128	0.782	–	–
LS	0.635	0.350	0.859	–
EE	0.500	0.078	0.538	0.901

Note: DMP: diversity management practices; CMC: conflict management climate; LS: leadership support; EE: employee engagement.

Data were analyzed using structural equation modeling (SEM) in AMOS v22. SEM was chosen because it allows simultaneous assessment of measurement and structural models, combining regression, path analysis, and confirmatory factor analysis (Hair et al., 2017). Mediation effects were tested using the two-step procedure recommended by Hair et al. (2017), which first estimated direct effects between independent, mediating, and dependent variables, and then examined indirect effects through SEM path analysis and Sobel-based tests. Moderation analysis was conducted with Hayes’ PROCESS macro (Model 8) in SPSS v25 (Hayes, 2017). The significance of moderation was determined by the effect of the interaction term between the independent variable and the mod-

erator on the dependent variable. Model fit was evaluated using key indices: RMSEA, SRMR, CFI, NFI, chi-square (χ^2), and degrees of freedom (df), applying the guidelines of Hu and Bentler (1999), which recommend $RMSEA \leq .09$, $\chi^2/df < 5$, $SRMR \leq .06$, $NFI \geq .90$, and $CFI > .90$. All three models tested (the direct model, the mediation model, and the moderated mediation model) showed acceptable fit, with detailed indices presented in Table 4.

3. RESULTS

The mean and standard deviation of the variables are presented in Table 5. Diversity management practices scored an overall mean of 3.52 (SD = 0.22), while CMC recorded a higher mean of 5.50 (SD = 0.49). Leadership support and employee engagement were found to have mean values of 3.51 (SD = 0.49) and 5.01 (SD = 0.45), respectively.

Table 5 Descriptive statistics of study variables (N = 461)

Variable	Mean	SD
Diversity management practices	3.52	0.22
Conflict management climate	5.50	0.49
Leadership support	3.51	0.49
Employee engagement	5.01	0.45

The SEM results, as presented in Table 6, reveal several noteworthy findings. First, age was found to have a significant positive association with both CMC ($\beta = 0.117, p < 0.05$), and employee engagement ($\beta = 0.190, p < 0.001$), suggesting that older employees tend to perceive more constructive CMC and report higher engagement levels. In contrast, gender exhibited a significant negative effect on engagement ($\beta = -0.203, p < 0.001$) among female employees. Organizational size showed no significant impact on either outcome.

Regarding the structural model, diversity management practices (DMP) showed a significant positive impact on employee engagement (EE) ($\beta = 0.348, p < 0.001$), indicating acceptance of H1, and this was model 1. When broken down by dimensions, diversity career development (DCD), diversity performance appraisal (DPF), and diversity training (DTR), showed significant positive impact on employees' engagement: DCD ($\beta = 0.329, p < 0.001$), DPF ($\beta = 0.525, p < 0.001$), and DTR ($\beta = 0.141, p < 0.05$). In comparison, diversity reward and pay systems (DRE) did not exhibit any significant impact on employee en-

agement (DRE: $\beta = 0.089, p > 0.05$), therefore, H1a is accepted.

Similarly, DMP were positively predicting conflict management climate ($\beta = 0.641, p < 0.005$), supporting H2. Among its dimensions, DCD ($\beta = 0.257, p < 0.005$), DPF ($\beta = 0.642, p < 0.005$), and DRE ($\beta = 0.198, p < 0.005$) were significant predictors of CMC. While DTR showed no significant effect ($\beta = 0.108, p > 0.05$), thereby supporting H2a, CMC was positively related to employee engagement ($\beta = 0.193, p < 0.001$), thereby supporting H3.

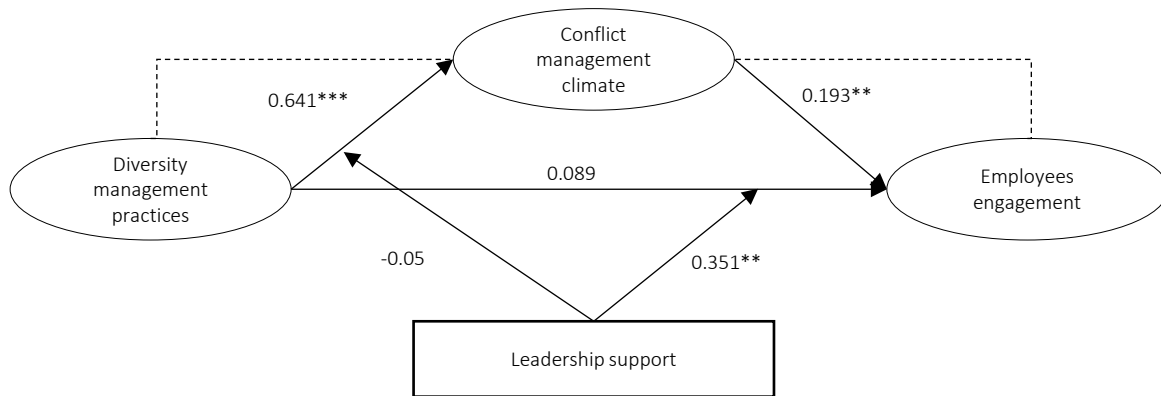
Mediation analysis confirmed that CMC fully mediates the relationship between DMP and employee engagement. The indirect effect was significant ($\beta = 0.196, p < 0.001$), providing support for H4. This corresponds to model 2, in which CMC plays as a mediator that explains the pathway through which DMP enhances engagement. This result highlights the critical role of constructive CMC in transforming DMP into enhanced employee engagement.

All proposed relationships were confirmed, as shown by the SEM standardized estimates in Figures 2 and 3 and Table 6.

Table 6. SEM results

Paths	B	S.E.	T-value	Sig
Gender → CMC	-0.052	0.100	-1.152	NS
Age → CMC	0.117	0.046	2.510	*
Size → CMC	-0.089	0.072	-1.804	NS
Gender → EE	-0.203	0.079	-4.729	***
Age → EE	0.190	0.092	4.325	***
Size → EE	0.003	0.057	0.056	NS
DMP → EE (Indirect)	0.089	0.090	0.0685	NS
DTR → EE	0.141	0.067	2.103	**
DRE → EE	0.089	0.061	0.787	NS
DCD → EE	0.329	0.091	3.580	***
DPF → EE	0.525	0.059	8.845	***
CMC → EE	0.193	0.048	2.988	***
DMP → CMC	0.641	0.065	5.2114	**
DTR → CMC	0.108	0.110	0.983	NS
DRE → CMC	0.198	0.094	2.150	**
DCD → CMC	0.257	0.092	2.795	**
DPF → CMC	0.642	0.069	9.329	***
DMP → EE (direct)	0.348	0.079	7.955	***
DMP → CMC → EE	0.196	-	-	***
R ²	CMC	-	0.30	-
	EE	-	0.49	-

Note: *** $p < 0.001$, ** $p < 0.005$, * $p < 0.01$. NS: not significant. LS: leadership support; EE: employee engagement; CMC: conflict management climate; DMP: diversity management practices; DTR: diversity training; DPF: diversity performance appraisal; DCD: diversity career development.



Note: *** $p < 0.001$, ** $p < 0.005$, * $p < 0.01$.

Figure 2. SEM results, testing models 1 and 3

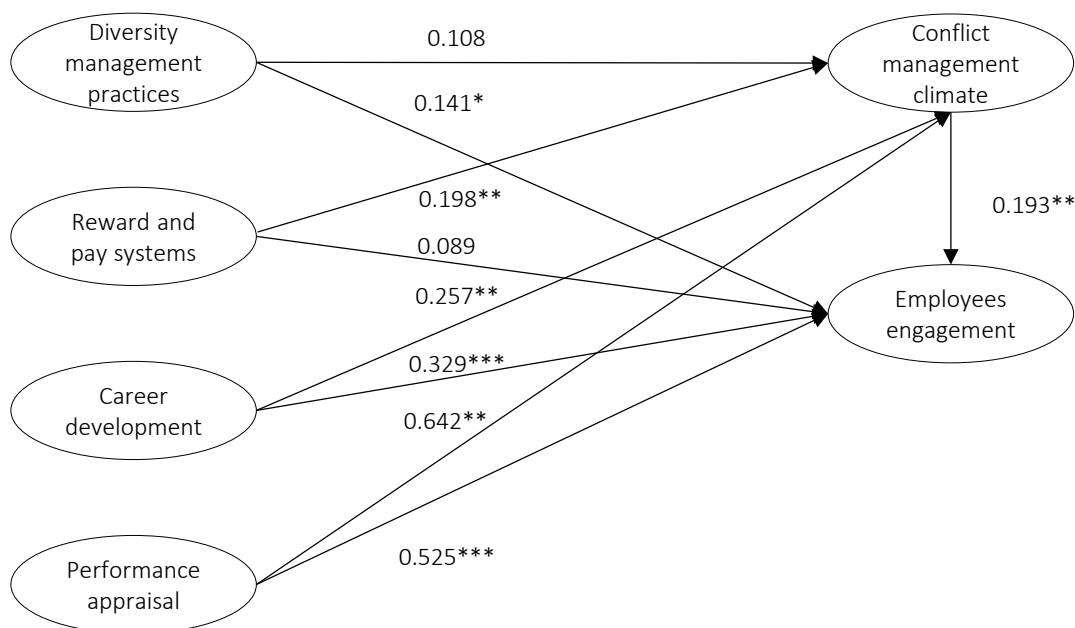
The model explains 29.9% of the variance in conflict management climate and 49.2% of the variance in employee engagement, highlighting the centrality of effective DMP and supportive CMC in driving positive employee outcomes.

We used model 8 of the PROCESS macro for SPSS (Hayes, 2017) to investigate whether leadership support moderates the impact of DMP on CMC and employee engagement. This represents model 3, which extends the analysis beyond direct and mediated effects to account for moderation.

The results of conditional process analysis showed that the interaction between DMP and CMC was not significant ($\beta = -0.05$, $SE = 0.071$, 95% CI

$[-0.1448, 0.1351]$, $p > 0.05$), indicating that leadership support does not moderate the effect of DMP on CMC. Thus, H5a was rejected. In contrast, the results supported H5b, which suggested that leadership support moderates significantly the effect of DMP on employee engagement ($\beta = 0.351$, $SE = 0.050$, 95% CI $[0.4515, 0.2521]$, $p > 0.001$), indicating that the strength of the relationship between DMP and engagement depends on the level of leadership support. Table 7 presents the detailed results.

As displayed in Figure 4, high leadership support means a stronger effect of diversity management practices on employee engagement and vice versa. This suggests that leadership support enhances



Note: *** $p < 0.001$, ** $p < 0.005$, * $p < 0.01$.

Figure 3. SEM results, testing model 2

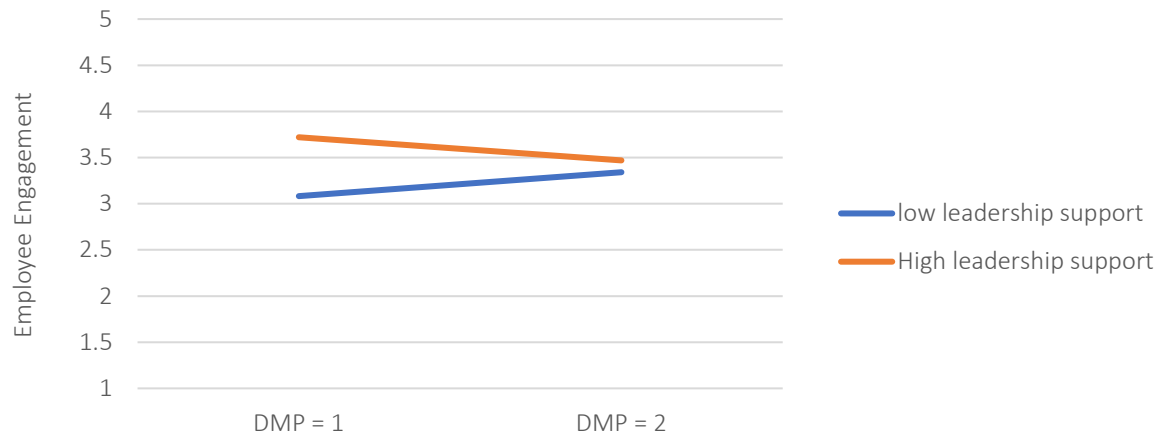


Figure 4. Moderation interaction effect

Table 7. Moderation test results using PROCESS Macro (Model 8)

Moderator	β	S.E.	T-value	Sig
LS → EE	0.378	0.042	8.953	***
LS → CMC	0.424	0.055	7.588	***
Interactions	β	S.E.	[LLCI, ULCI]	Sig
DMP*LS*CMC	-0.05	0.071	[-0.1448, 0.1351]	NS
DMP*LS*EE	0.351	0.050	[0.4515, 0.2521]	***

Note: LS: leadership support; EE: employee engagement; CMC: conflict management climate; DMP: diversity management practices.

the effectiveness of diversity initiatives in fostering employee engagement, highlighting its critical role in shaping how diversity practices are perceived by employees.

4. DISCUSSION

This study examined how diversity management practices (DMP) influence employee engagement within Hungary’s service sector, specifically analyzing how conflict management climate mediates this relationship and how leadership support moderates it. The findings reveal important insights that contribute to both theory and practice in diversity management and organizational behavior.

First, the results demonstrated that DMP significantly predicts employee engagement, corroborating previous research that underscores the positive association between DMP and various employee-related outcomes, including motivation, commitment, psychological empowerment, and engagement (Jerónimo et al., 2022). This finding is also consistent with recent evidence that diversity management practices, even under conditions

of job insecurity and fluctuating trust, could enhance employee engagement (Alshaabani et al., 2022).

In Hungary’s increasingly multicultural service sector, employees who perceive their organizations as genuinely supportive of diversity show stronger cognitive and emotional attachment to their work. This is consistent with social exchange theory (Blau, 1964), which suggests that employees reciprocate fair treatment and organizational recognition with heightened commitment (Ghasempour Gangi & Kafahpour, 2017; Johnson & Ganji, 2020). From a resource-based view (Barney & Clark, 2007), effectively managed workforce diversity is a valuable and rare organizational resource that enhances creativity and adaptability (Cox & Blake, 1991). These findings reinforce Richard et al. (2003), who suggest that inclusive practices not only support equity but also strengthen organizational competitiveness by optimizing human capital as a strategic asset.

Second, the findings indicate that DMP significantly predicts conflict management climate (CMC), suggesting that when organizations actively initi-

ate and implement inclusive HR practices, they are more likely to foster climates in which interpersonal tensions are addressed constructively (Ayub & Jehn, 2010; Pittman, 2020). This aligns with recent findings by Noor et al. (2024) in the banking and IT sectors, where DMPs were shown to build inclusive work climates and improve workplace cohesion. Importantly, the results also show that CMC mediates the relationship between DMP and employee engagement. This finding supports the notion that managing diversity well not only involves formal diversity policies but also requires creating systems that can reduce or prevent misunderstanding and further promote fairness in conflict resolution. This extends the arguments of Ayub and Jehn (2010) and Jehn and Bendersky (2003), who suggested that well-managed conflict can improve team effectiveness by showing empirically that such a climate also enhances individual engagement. Taken together, these findings suggest that integrating DMP with a strong CMC turns potential frictions into opportunities for collaboration and higher engagement.

Finally, leadership support was found to moderate the relationship between DMP and employee engagement, such that the positive effect of DMP was significantly stronger under conditions of high leadership support. This aligns with Nishii and Mayer (2009), who emphasized that leaders' visible commitment to inclusion strengthens the credibility of diversity initiatives. Recent empirical evidence (Noor et al., 2024) shows that when leadership actively supports diversity practices, both employee well-being and organizational performance improve significantly. Our study extends this understanding by showing that in multicultural workplaces, particularly those with large numbers of foreign employees, leadership support is crucial in translating formal diversity practices into meaningful engagement outcomes. Without consistent leadership support, the credibility of DMP is weakened, and its positive influence on engagement is considerably diminished. However, our findings revealed that leadership support did not moderate the relationship between DMP and CMC. This may be explained by the fact that CMC may depend more on formal organizational systems, shared norms, and procedural

fairness than on individual leadership behaviors, as was mentioned by Krishna et al. (2024) and Zahlquist et al. (2023). Even with supportive leaders, creating a constructive CMC often requires institutionalized mechanisms such as transparent procedures and structured mediation processes rather than relying solely on leadership commitment.

This study advances existing research on diversity management practices and employee engagement by integrating the mediating role of CMC and the moderating effect of leadership support, extending existing theories such as social exchange theory and the resource-based view to the underexplored context of Hungary. By highlighting how conflict climate and leadership support jointly shape diversity management outcomes, the study broadens the applicability of organizational behavior theories beyond Western settings. Practically, the findings emphasize the need for structured CMC, active leadership support demonstrated through visible behaviors, and adaptation of diversity initiatives to local contexts like Hungary, to detect disengagement risks early. Together, these measures ensure that DMP translates into meaningful employee engagement and improved organizational outcomes.

While this study provides substantial theoretical and practical contributions, certain limitations were unavoidable and should be mentioned. First, the sample was restricted to Hungary's service sector; therefore, future research could extend this model to manufacturing or public administration to enhance generalizability. Second, cultural dimensions such as power distance or uncertainty avoidance were not considered, even though they may influence how employees perceive leadership and diversity practices. Future studies could also examine additional mediating or moderating variables, such as psychological safety, job security, and perceived organizational support, to better capture the complexity of employee engagement in diverse work environments. Moreover, future research may include employees' ethnicity or nationality as a control variable. These factors may shape how DMPs are perceived in the workplace.

CONCLUSION

In the context of Hungary's service sector, this study aimed to examine the impact of diversity management practices on employee engagement, with the mediating role of conflict management climate and the moderating role of leadership support. The findings confirmed that DMP directly enhances employee engagement and also positively influences conflict management climate, which in turn fully mediates their effect on engagement. Moreover, leadership support significantly strengthens the positive impact of DMP on employee engagement. These findings highlight the importance of embedding diversity management in a supportive organizational climate and ensuring visible leadership support, which confirms the relevance of both social exchange theory and the resource-based view.

For practitioners, the study underscores that diversity initiatives must be accompanied by proactive conflict resolution mechanisms and sustained leadership endorsement to maximize their impact. While limited to Hungary's service sector, the analysis offers valuable insights for other multicultural labor markets in Hungary. Future studies should extend this model across industries and explore additional contextual factors, such as cultural values, psychological safety, and organizational support, to deepen the understanding of engagement in diverse workplaces.

AUTHOR CONTRIBUTIONS

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APPENDIX A

Table A1. Measurement items

Statement	
Diversity Management Practices	
1.	Diversity training in the firm focuses on equal opportunities for training and development
2.	This company has done a good job providing training programs that promote multicultural understanding
3.	Diversity training sessions are conducted to enhance awareness about gender equality and to remove gender bias issues
4.	Mentoring, coaching, and counseling sessions are there for career development and taking responsibility for female employees
5.	Education about diversity will enhance the company's profitability
6.	Diversity training programs sensitize employees to the impact of stereotypes on their own and others' behaviors
7.	This company has internal equity in remuneration
8.	This company has equity in its benefits and reward systems
9.	This company has equity in advancement opportunities
10.	This company has equal job security
11.	This company has equity in status recognition
12.	This company has good social interaction
13.	Appraisal ratings focus on performance, not personality
14.	Effective feedback and ongoing support are provided for ethnic employees
15.	Appraiser's cultural background does not influence ratings
16.	Multicultural employees are part of appraisal panels
17.	Several multicultural employees are in senior positions
18.	Employees of different backgrounds are encouraged to apply for higher positions
19.	There is a career development path for all employees at this company
20.	Career management programs for multicultural employees
21.	Development opportunities for ethnic employees
22.	No discrimination in the selection of employees for development programs
23.	Appraisal methods in the organizations are objective and job-relevant
24.	Minority groups and women receive opportunities for growth
Conflict management climate	
1.	Conflicts are constructively / positively resolved in this company
2.	We are generally encouraged to resolve our conflicts quickly rather than let them simmer
3.	There are helpful ways of preventing conflicts from getting out of hand in the company
4.	There are a few conflicts between departments
5.	In general, conflict is managed well here
Leadership support	
1.	My supervisor asks employees for their suggestions on what assignments should be made
2.	My supervisor gives advance notice of changes
3.	My supervisor treats all the employees s/he supervises as his/her equal
4.	My supervisor is friendly and approachable
5.	My supervisor asks employees for their suggestions concerning how to carry out assignments
Employees Engagement	
1.	At my work, I feel bursting with energy
2.	At my job, I feel strong and vigorous
3.	I am enthusiastic about my job
4.	My job inspires me
5.	When I get up in the morning, I feel like going to work
6.	I feel happy when I am working intensely
7.	I am proud of the work that I do
8.	I am immersed in my work
9.	I get carried away when I am working