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Challenges of Diversity Management in Indian Public Sector Companies: The Role of Policy Design and Strategic Alignment in Enhancing HR Effectiveness

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Abstract: Diversity management has become an important focus for Indian public sector companies. These organizations are expected to ensure fair representation and create inclusive workplaces. This study looks into the challenges that public sector organizations face in managing workforce diversity. It also examines how policy design and strategic alignment affect the success of diversity management practices. Using a quantitative approach, the research analyzes key factors, including the effectiveness of HR strategies, the integration of diversity and inclusion principles into HR planning, and how well the organization's vision and mission align with diversity goals. The findings show that the effectiveness of HR strategies and the integration of diversity principles are the most significant factors influencing policy design and strategic alignment. Correlation analysis reveals strong positive relationships among the variables, with the model explaining about 89% of the changes in policy design and strategic alignment. The study concludes that aligning HR policies with diversity goals is crucial for addressing challenges in diversity management within the public sector. Recommendations include redesigning policies, fostering leadership commitment, building capacity, and implementing strong monitoring systems to improve organizational inclusivity.

KEYWORDS: Diversity Management, Public Sector, Policy Design, Strategic Alignment, HR Strategy, Inclusion, Indian Organizations.

INTRODUCTION

In today's globalized environment, managing workplace diversity is a key issue for organizations, especially in the public sector, where social inclusion and fair representation are central goals. Diversity management means taking a strategic approach to bring together people from different backgrounds, such as caste, gender, ethnicity, language, and region, into a united and effective workforce. In India, public sector companies are expected to be leaders in social equity, but they face several challenges in

implementing diversity initiatives due to rigid bureaucracy and poor policy coherence. According to Shen et al. (2009), effective diversity management requires a commitment to strategy, support from leadership, and an inclusive organizational culture. Similarly, Cox and Blake (1991) noted that when well-managed, diversity boosts creativity, problem-solving, and overall performance. However, when overlooked, it can lead to conflicts and reduced efficiency.

Review of Literature

Several studies have examined diversity challenges within Indian organizations, highlighting structural, cultural, and policy-related obstacles. Budhwar and Varma (2011) found that Indian public sector enterprises often struggle to implement diversity due to strict hierarchies and a lack of participatory management systems.

Kundu (2003) noted that diversity initiatives in Indian workplaces usually focus on meeting reservation policies instead of promoting true inclusion. Recent research by Gupta and Shaw (2019) indicated that tying diversity management to strategic goals can improve organizational resilience and innovation, particularly in large public organizations. Yet, despite existing policies, many public sector entities still lack thorough monitoring systems and employee awareness programs. Therefore, it is essential to redesign policies and align strategies to address the challenges of diversity management in the Indian public sector.

Methodology

This study uses a descriptive research design to explore the challenges of managing diversity in Indian public sector companies. It also examines how Policy Design and Strategic Alignment influence effective diversity practices. A descriptive research design is suitable because it allows for the systematic collection, presentation, and analysis of data to describe the characteristics, relationships, and trends of variables in this study (Kothari, 2014).

We used a random sampling method to select respondents from various public sector organizations. This ensured that every employee had an equal chance of being included in the study. The target respondents included employees from different departments, levels, and functions to capture a wide range of perspectives on HR policies, strategic alignment, and inclusion practices.

Data were collected using a well-designed questionnaire. This questionnaire was based on a thorough review of existing literature and prior studies. It included sections on demographic information, effectiveness of HR strategy, alignment of organizational vision and mission with diversity, integration of diversity principles into HR planning, and overall views on policy effectiveness. We measured responses using a Likert-type scale, which allowed for a quantitative analysis of relationships among variables.

Before the main survey, we conducted a pilot study with a small group of public sector employees. This helped us test the reliability, validity, and clarity of the questionnaire items. Feedback from the pilot study allowed us to refine the instrument, improve

wording, and eliminate ambiguities. We calculated the research sample size using standard statistical formulas to ensure it was representative and adequate for reliable data analysis.

For data analysis, we used both descriptive and inferential statistical techniques. Descriptive statistics, such as mean, standard deviation, and frequency distribution, summarized respondent characteristics and responses. Inferential techniques, including correlation analysis, regression analysis, and path modeling, examined the relationships between Policy Design and Strategic Alignment and diversity management outcomes. We assessed the reliability of the scales using Cronbach's alpha and ensured validity through content validity and expert review.

We strictly followed ethical considerations throughout the study. Respondents were informed about the study's purpose, assured of confidentiality, and participation was voluntary. We did not collect any personal identifiers, and the data were used only for academic research.

This methodology provides a systematic, reliable, and unbiased approach to understanding how HR policy frameworks and strategic alignment affect the effectiveness of diversity management in Indian public sector organizations.

Research Objectives

1. To examine the impact of Policy Design and Strategic Alignment on effective diversity management practices in Indian public sector companies.
2. To identify the most influential HR-related variables contributing to the alignment of organizational goals with diversity and inclusion initiatives.
3. To analyze the correlation among various dimensions of Policy Design and Strategic Alignment, such as HR strategy effectiveness, organizational vision, and integration of diversity principles.
4. To suggest policy and strategic interventions to strengthen diversity management frameworks in public sector organizations.

Hypotheses

H_{01} : There is no significant relationship between Policy Design and Strategic Alignment and the effectiveness of diversity management in public sector organizations.

H_{11} : There is a significant relationship between Policy Design and Strategic Alignment and the effectiveness of diversity management in public sector organizations.

H_{02} : HR strategies and organizational vision do not significantly influence the alignment of diversity management objectives.

5. H_{12} : HR strategies and organizational vision significantly influence the alignment of diversity management objectives.

Analysis and Interpretation

Facing Diversity Challenges in Policy Design and Strategic Alignment

Path Regression Analysis of Facing Diversity Challenges in Policy Design and Strategic Alignment

Table-1: Variable Statements of Policy Design and Strategic Alignment

Abbreviation	Policy Design and Strategic Alignment (PD & SA)
PD & SA-1	The extent to which HR policies in the organization support and promote diversity and inclusion
PD & SA-2	The degree to which the organization's vision and mission reflect a commitment to diversity and inclusion
PD & SA-3	The effectiveness of the organization's HR strategies in aligning with the goals and objectives of diversity management
PD & SA-4	The extent to which diversity and inclusion principles are integrated into the organization's overall HR strategy and planning

Table- 2: Model Fit Summary

Model	R	R-Square	Adjusted R-Square	Std. Error of the Estimate
PD & SA	0.948 ^a	0.899	0.899	0.28270

a. Predictors: (Constant), PD & SA -4, PD & SA -1, PD & SA -3, PD & SA -2

The model reveals that the R (Multiple Correlation Coefficient) value is 0.948, indicating a strong degree of relationship between Policy Design and Strategic Alignment and the predicted variables, namely: the extent to which HR policies in the organization support and promote diversity and inclusion (PD & SA-1), the degree to which the organization's vision and mission reflect a commitment to diversity and inclusion (PD & SA-2), the effectiveness of the organization's HR strategies in aligning with the goals and objectives of diversity management (PD & SA-3), and the extent to which diversity and inclusion principles are integrated into the organization's overall HR strategy and planning (PD & SA-4).

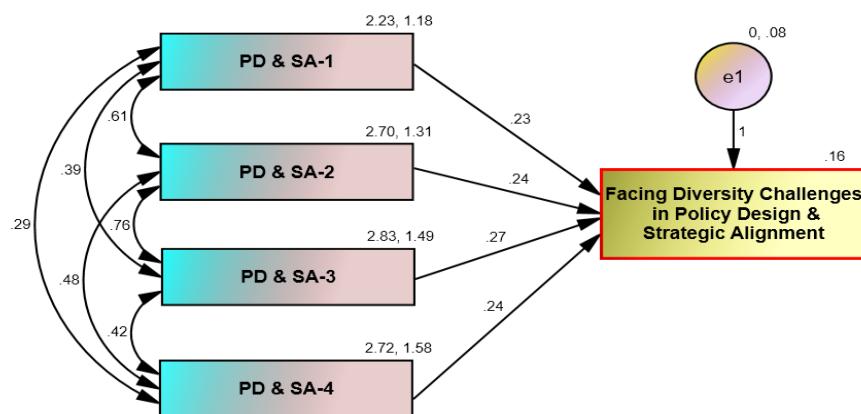
The R-Square (Coefficient of Determination) value is 0.899, which indicates that approximately 89% of the variation in Policy Design and Strategic Alignment is explained by the variations in the independent variables. The Adjusted R-Square value is also 0.899, which refines the statistic by considering the number of independent variables included in the model. This demonstrates a high level of goodness-of-fit and confirms the model's reliability and explanatory strength.

Table-3: Regression Weights for Policy Design and Strategic Alignment

Regression Weights	Std. Estimate	S.E.	C.R.	P-Value
Policy Design and Strategic Alignment<---PD & SA-1	0.235	0.013	18.660	0.000
Policy Design and Strategic Alignment<---PD & SA-2	0.242	0.014	17.563	0.000
Policy Design and Strategic Alignment<---PD & SA-3	0.270	0.012	23.147	0.000
Policy Design and Strategic Alignment<---PD & SA-4	0.245	0.010	24.251	0.000

Note: .000 is 1% α -significant level

Fig-1: Path Regression Analysis of Policy Design and Strategic Alignment



Interpretation:

The path diagram indicates that the independent variables of Policy Design and Strategic Alignment are highly significant at the 1% ($\alpha = 0.01$) significance level. When comparing the significant variables with their estimated values, the results reveal that the most influential factor of Policy Design and Strategic Alignment is "*The effectiveness of the organization's HR strategies in aligning with the goals and objectives of diversity management*" (PD & SA-3), with an estimated value of 0.270. The second most influential variable is "*The extent to which diversity and inclusion principles are integrated into the organization's overall HR strategy and planning*" (PD & SA-4), with an estimated value of 0.245. The third influential variable is "*The degree to which the organization's vision and mission reflect a commitment to diversity and inclusion*" (PD & SA-2), with an estimated value of 0.242.

Table- 4: Covariance for Policy Design and Strategic Alignment Variables

Covariance	Estimate	S.E.	C.R.	P
PD & SA -1 <--> PD & SA -4	0.286	0.059	4.854	0.000
PD & SA -4 <--> PD & SA -2	0.478	0.064	7.473	0.000
PD & SA -4 <--> PD & SA -3	0.419	0.067	6.230	0.000
PD & SA -2 <--> PD & SA -3	0.760	0.067	11.314	0.000
PD & SA-1 <--> PD & SA -3	0.391	0.058	6.691	0.000
PD & SA-1 <--> PD & SA -2	0.611	0.058	10.455	0.000

The correlation analysis of Policy Design and Strategic Alignment variables shows that all relationships are positively correlated. Among these, the strongest correlations are observed between PD & SA-2 and PD & SA-3 ($r = 0.543$) and between PD & SA-1 and PD & SA-2 ($r = 0.491$).

Table-5: Correlations for Policy Design and Strategic Alignment Variables

Correlations	Estimate
PD & SA -1 <--> PD & SA -4	0.209
PD & SA -4 <--> PD & SA -2	0.332
PD & SA -4 <--> PD & SA -3	0.272
PD & SA -2 <--> PD & SA -3	0.543
PD & SA-1 <--> PD & SA -3	0.294
PD & SA-1 <--> PD & SA -2	0.491

The above table interprets Correlation's relationship of Policy Design and Strategic Alignment variables, all relationships are positive correlated. Among the relationship the high correlated variables are PD & SA -2 <--> PD & SA -3 and PD & SA-1 <--> PD & SA -2 the correlation values are 0.543, and 0.491 respectively.

Inference:

The study concludes that Policy Design and Strategic Alignment are primarily influenced by the effectiveness of the organization's HR strategies in aligning with the goals and objectives of diversity management and the extent to

which diversity and inclusion principles are integrated into the organization's overall HR strategy and planning. This finding highlights the strategic importance of aligning HR policies with diversity objectives to achieve effective diversity management in public sector organizations

Major Findings

1. The R (Multiple Correlation Coefficient) value of 0.948 indicates a strong relationship between Policy Design and Strategic Alignment and the studied diversity management factors.
2. The R^2 value of 0.899 shows that approximately 89% of the variation in Policy Design and Strategic Alignment is explained by the independent variables.
3. Among the variables, the most influential is "The effectiveness of HR strategies in aligning with diversity management goals" (PD & SA-3) with an estimated value of 0.270, followed by "Integration of diversity and inclusion principles into the overall HR strategy and planning" (PD & SA-4) with 0.245, and "Vision and mission reflecting commitment to diversity" (PD & SA-2) with 0.242.
4. The correlation analysis shows all variables are positively correlated, with the strongest relationships between PD & SA-2 ↔ PD & SA-3 ($r = 0.543$) and PD & SA-1 ↔ PD & SA-2 ($r = 0.491$).
5. The model's Adjusted R^2 value of 0.899 confirms a high degree of model reliability and a strong goodness-of-fit, suggesting robust explanatory power.

Suggestions

1. Strategic Integration: Public sector organizations should integrate diversity and inclusion principles into their core HR strategies and organizational planning processes to ensure long-term sustainability.
2. Leadership Commitment: Senior management must demonstrate strong commitment and accountability for promoting diversity through measurable policy outcomes.
3. Policy Redesign: Diversity management policies should be periodically reviewed and aligned with national inclusion goals and organizational performance metrics.
4. Capacity Building: Regular training and sensitization programs should be introduced for HR professionals and managers to enhance awareness of diversity issues and inclusion best practices.

Monitoring and Evaluation: Establishing a **diversity audit mechanism** will help track progress, identify barriers, and improve the implementation of diversity initiatives

CONCLUSION

The study on Policy Design and Strategic Alignment in Diversity Management reveals a strong and significant relationship between strategic HR frameworks and the successful implementation of diversity initiatives in Indian public sector organizations. The findings highlight that the effectiveness of HR strategies and the integration of diversity principles into overall organizational planning are the key drivers of inclusion. The high R and R^2 values demonstrate that well-designed and strategically aligned policies contribute substantially to managing diversity challenges. The study emphasizes the need for a continuous strategic approach, supported by leadership, monitoring, and policy innovation, to foster an inclusive and equitable workplace culture in the public sector.

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