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The Role of Inclusive Organisational Culture in Enhancing Employee Motivation

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ABSTRACT

In today's global business environment, Diversity, Equality, and Inclusion (DEI) have become strategic imperatives for fostering employee motivation and organisational effectiveness. This study investigates the impact of DEI practices on employee motivation within a multinational corporation (Company X) located in Johor Bahru, Malaysia—a region characterised by a demographically diverse workforce. Grounded in Social Exchange Theory, the study employed a quantitative approach using a structured questionnaire distributed to 55 employees, with 47 valid responses analysed. Descriptive statistics revealed generally positive perceptions of DEI practices among respondents. Reliability analysis confirmed strong internal consistency across all constructs. Correlation and multiple regression analyses demonstrated a significant and positive relationship between DEI variables and employee motivation, with inclusion emerging as the strongest predictor, followed by equity and diversity. The regression model explained approximately 57.9% of the variance in employee motivation. These findings highlight the importance of integrated DEI initiatives in fostering intrinsic and extrinsic motivational drivers among employees. The study provides empirical evidence supporting the notion that inclusive and equitable workplaces enhance job satisfaction, engagement, and organisational commitment. The results underscore the need for culturally contextualised DEI strategies that align with local workforce dynamics while upholding global inclusivity standards. This research contributes to the limited body of DEI literature in Southeast Asia and offers practical insights for human resource professionals and corporate leaders aiming to implement effective DEI frameworks that resonate with Malaysia's multicultural workforce.

1. INTRODUCTION

Prior to talking about motivating factors, it is critical to comprehend the definition and conceptualisation of organisational diversity. Diversity within an organisation is the makeup of individuals within a work unit,

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including disparities in characteristics like race, gender, age and organisational tenure. In order to foster inclusive workplaces that capitalise on the diverse histories, viewpoints, and abilities of their employees, contemporary organisations are increasingly focusing on issues of race, gender, age, and organisational tenure. Present-day organisational diversity includes a wide range of characteristics that enhance the diversity of ideas and approaches to problem-solving within an organisation, such as demographic factors like race, ethnicity, gender, and age, as well as cognitive and experiential differences like education, socioeconomic status, and political ideology (Roberson, 2019).

The Harvard Business Review (2017) states that "inclusion is being asked to dance, while diversity is being invited to the party." In their study titled "Diversity, Equity, Inclusion (DEI) and Employee Loyalty," Rozaini et al. (2022) found that these factors significantly affect employee engagement and loyalty at work. The term "diversity" describes the existence of several groups in a particular workplace, including those based on age, gender, marital status, physical capabilities, religious beliefs, sexual orientation, socioeconomic background, and language (geographical area). Equity is making sure that everyone, regardless of differences, has equal access, fair treatment, opportunity, and progress in the workplace. Equity recognises that different people may need different opportunities and resources to succeed, in contrast to equality, which treats everyone equally. The technique of making everyone feel appreciated, respected, and accepted at work is known as inclusion. It entails cultivating an environment free from prejudice and discrimination, where everyone is able to fully engage and contribute.

An organisation gains value and advantages from having a diverse workforce. The observable and quantifiable advantages of organisational diversity include increased innovation and creativity (Hong & Page, 2004), better customer service (Hossain et al., 2020), and retention and happiness of employees (Shore et al., 2018) and enhanced standing of the company (McKay et al., 2007). An organisation's values and ethical considerations may be directly related to the benefits that organisational diversity offers (Roberson, 2019).

Furthermore, a company's capacity to comprehend and cater to its various customers can be greatly improved by organisational diversity. Businesses can better anticipate and satisfy the requirements of various customers by reflecting the diversity of their customers. Customer segments by representing the diversity of the market, giving them a competitive advantage in the marketplace and raising customer satisfaction levels (Hossain et al., 2020). Organisational diversity can also increase employee retention and satisfaction because stable and motivated workforces are more likely to have lower turnover rates and higher job satisfaction levels when workers feel appreciated and respected (Shore et al., 2018).

Based on the identified execution gap between DEI policy intent and lived employee experience, this study addresses the following research questions:

i. To what extent do diversity, equity, and inclusion practices influence employee motivation in a Malaysian multinational corporation?

ii. Which DEI dimensions diversity, equity, or inclusion emerges as the strongest predictor of employee motivation?

1.1 Problem Statement

Malaysia’s governance landscape increasingly expects companies to treat DEI as a board-level, reportable priority. The Malaysian Code on Corporate Governance (MCCG 2021) recommends boards comprise at least 30% women directors, signalling that diversity is integral to board effectiveness and succession planning, not a peripheral HR issue. Bursa Malaysia has also embedded DEI-relevant disclosures in its enhanced Sustainability Reporting framework, requiring issuers to explain governance over sustainability matters and to disclose workforce composition and diversity information in the annual Sustainability Statement (MAICSA, 2023). Together, these expectations elevate DEI from a voluntary initiative to a governance and disclosure obligation.

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Yet many organisations, especially SMEs, struggle to operationalise DEI beyond minimal compliance. Even as Bursa amended its Listing Requirements to mandate at least one-woman director, with staged implementation (including the clarification that “the rest of the listed corporations” must comply by 1 June 2023), progress across the market remains uneven (Bursa Malaysia, 2022). Disclosures often lack robust methodologies, baselines, and decision-useful metrics, limiting stakeholders’ ability to assess whether policies translate into equitable outcomes.

Structural barriers continue to constrain equitable participation and progression, including under-representation of women and certain groups in senior leadership, pay and opportunity gaps, and inconsistent accommodations for religious or cultural practices. While there are pockets of progress (e.g., a growing share of issuers surpassing the 30% female board threshold), market-wide figures show that all-male boards still persist and leadership diversity remains limited—evidence that representation targets alone do not guarantee inclusion in everyday decisions, culture, and career pathways.

Weak DEI execution now carries tangible governance and compliance risks. The Anti-Sexual Harassment Act 2022 with key provisions in force since 28 March 2023 and a dedicated Tribunal raises the bar for employers to prevent, address and remediate workplace harassment. Inadequate policies, training, reporting channels, and remediation expose firms to legal action, reputational damage, and productivity loss. At the same time, limited diversity at the top can entrench groupthink and constrain innovation, undermining competitiveness in Malaysia’s increasingly globalised economy and in ESG-sensitive value chains.

The core problem is the execution gap between policy intent and lived employee experience. Many companies have statements and minimum board-gender compliance, but lack integrated DEI governance (clear accountability at board/management levels), target-setting beyond gender, credible data systems, and safe, accessible grievance mechanisms aligned with the new legal framework. To meet MCCG expectations and Bursa disclosure requirements and to deliver business value, companies must embed DEI into strategy, risk oversight and talent processes; publish decision-useful metrics (hiring, promotion, pay equity, representation across levels); and ensure protection from harassment with measurable remediation timelines. Without this shift, organisations will keep reporting about DEI while failing to achieve equitable, inclusive outcomes.

2. LITERATURE REVIEW

2.1 DEI Regulations in Malaysia

In Malaysia, DEI considerations, especially gender diversity, are embedded into corporate governance through a combination of mandatory rules, voluntary codes with disclosure requirements, and investor-driven expectations. The Malaysian Code on Corporate Governance (MCCG 2021), issued by the Securities Commission Malaysia, encourages companies to have at least 30% women on their boards and requires disclosure of gender diversity policies covering both board and senior management. It also emphasises diversity in terms of skills, experience, age, cultural background, and gender, and integrates ESG oversight including social inclusion into corporate strategy and governance. Complementing this, the Bursa Malaysia Listing Requirements mandate that all publicly listed companies (PLCs) appoint at least one female director, with compliance deadlines set for September 1, 2022, for large-cap PLCs and June 1, 2023, for all other PLCs. Any vacancy causing non-compliance must be filled within three months. From financial years ending December 31, 2023, Main Market PLCs must also disclose in their Sustainability Statements a diversity policy, related initiatives, and detailed board and employee breakdowns by gender and age group, with ACE Market PLCs following in 2025.

Additionally, Bursa requires all listed issuers to adopt and publicly disclose a fit-and-proper policy for board appointments and re-elections, effective July 1, 2022. This framework is reinforced by the Institutional Investors Council (IIC) Malaysian Code for Institutional Investors 2022, which recommends that investee companies achieve at least 30% female board representation within three years, exerting significant influence over market DEI practices. Together, these regulations and guidelines create a structured governance

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environment that not only enforces minimum DEI thresholds but also pushes companies toward transparent reporting and cultural change, thereby aligning Malaysian corporate governance with global best practices in diversity and inclusion.

2.2 Diversity

Two broad differences between observable and non-observable diversity attributes arose as organisational diversity research advanced, according to Erhardt (2003). The first is surface-level variation, which encompasses outward characteristics like age, gender, race, and ethnicity. These traits are generally classified as measurable diversity. Next are the non-observable characteristics, sometimes known as deep-level variety (Ostergaard et al., 2011). Knowledge, education, beliefs, cognition, affection, and personality are among them.

One important factor influencing employee performance is workforce diversity (Khan et al., 2019). Many companies, particularly public enterprises, have made managing such diversity a top priority to boost organisational efficiency and personnel performance. Previous research indicates that employee job performance and workforce diversity are positively correlated. Businesses will profit significantly more from diversity if they view it as an essential part of their strategy rather than an expense.

Businesses that take diversity into account report an increase in productivity. Companies that prioritise diversity in their strategy stand to gain significantly more from lower turnover costs and higher revenue than those who do not (Brown & Lam, 2008). According to Choi (2007), diversity enables businesses to achieve synergistic success when employees can value and comprehend one another as well as make use of each other's perspectives, skills, and experiences.

Inclusive workplace policies are crucial due to shifting worker demographics, such as the emergence of multiple generations and cultural representation. According to Adeniyi et al. (2024), diversified workforces help businesses draw in top talent and maintain long-term viability. According to Okatta et al. (2024), companies that embrace diversity and inclusion efforts report higher levels of employee engagement, better decision-making, and increased innovation. Diverse teams directly contribute to organisational success by bringing in a wider range of perspectives. Adisa et al. (2024) claim that inclusive businesses are better able to adjust to changes in the market and innovative cultures, which are essential in competitive settings. A key component of effective diversity management is leadership commitment. Okatta et al. (2024) stress that organisations with strong leadership support for diversity and inclusion are more likely to realise positive outcomes such as enhanced employee satisfaction and improved financial performance.

2.3 Equity

As the drawbacks of concentrating only on diversity and inclusion became clear in the 2000s and 2010s, the idea of equity gained increasing traction. Growing understanding of structural obstacles to equal opportunity led to the addition of equity (Ahmed, 2012). Equity tackles the structural obstacles that keep some groups from having equal access to opportunities. It entails developing equitable policies and procedures that acknowledge and takes into account the diverse demands and difficulties faced by different groups (Morin & Bishop, 2023). Growing knowledge of intersectionality and the fact that people may experience many overlapping types of discrimination strengthened the campaign for equity. This era saw the rise of more holistic DEI strategies that sought to bring diverse individuals into organisations and make them feel included and aimed to dismantle structural inequalities that hindered true equity (Morin, 2023).

Ensuring equitable access and treatment for all employees, especially those from marginalised or underrepresented groups, is a fundamental component of DEI. Higher work satisfaction, trust in leadership, and organisational commitment are all correlated with perceived fairness in organisational policies and practices (Colquitt, et al., 2001). Furthermore, companies that prioritise equity are better able to draw in and keep top personnel, especially from diverse backgrounds (Cox & Blake, 1991). But in order to achieve equity, organisational structures' inherent biases and impediments must be addressed.

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The systemic and structural barriers prevent equal opportunities and outcomes for all individuals. Unlike equality, which treats everyone equally regardless of starting points, equity recognises that people have different needs, circumstances, and challenges that require tailored approaches to achieve fairness (Bell & Leopold, 2016). This understanding is crucial for organisations striving to create genuinely inclusive environments. By focusing on equity, organisations can identify and rectify the imbalances that affect underrepresented and marginalised groups, ensuring that everyone has the resources and support necessary to succeed (Tyson, 2023).

2.4 Inclusion

People from different origins, cultures, and viewpoints make up the contemporary workforce, which is more varied than ever because of globalisation, technological breakthroughs, and changing demographics. Therefore, it is essential for organisations that are endeavouring to flourish in this intricate environment to cultivate a culture of inclusion and diversity. Studies have shown that when leaders prioritise diversity and inclusion, it encourages a trickle-down effect, fostering an inclusive environment at all levels (Guo et al., 2023). For instance, leadership buy-in is critical for the successful implementation of diversity training programs and inclusive policies. When employees see that their leaders are genuinely committed to fostering an inclusive workplace, they are more likely to support and engage in D&I initiatives themselves (Atiku et al., 2024). This alignment between leadership and organisational values reinforces the importance of diversity and inclusion in achieving business success.

Implementing inclusive policies is essential for creating a supportive work environment. Policies such as flexible work arrangements, equal pay, and unbiased recruitment processes help to level the playing field and ensure that all employees have equal opportunities for success (Yan et al., 2024). Flexible work arrangements, for instance, can accommodate diverse needs and lifestyles, contributing to a more inclusive culture where employees feel valued and respected for their unique contributions (Cheng et al., 2024). Organisations that prioritise inclusive policies demonstrate their commitment to diversity and equity, fostering a sense of belonging among employees.

2.5 Employee Motivation

Work motivation is widely recognised as a fundamental determinant of organisational performance, serving as a driving force that enhances workforce output, elevates labour productivity, and fosters overall organisational efficiency and employee satisfaction (Uka & Prendi, 2021). Beyond facilitating task completion, motivation embodies a deeper commitment among employees toward both personal and organisational goals (Qu et al., 2024). It plays a critical role in sustaining and improving institutional effectiveness across various sectors by fostering innovation, promoting professional development, and enhancing employee well-being (Vo et al., 2022). In this context, motivation transcends its functional purpose to become a cornerstone of organisational success.

Employee motivation is a complex and multifaceted phenomenon that involves both intrinsic and extrinsic motivators, each playing a critical role in influencing performance and job satisfaction (Forson et al., 2021). Among the various forms of extrinsic rewards, monetary compensation and financial incentives are often deemed integral, particularly in developing environments (Jam-Jam & Mbukanma, 2023). Research has consistently shown that insufficient wages can lead to employee dissatisfaction, reduced performance levels, and elevated turnover rates, highlighting the direct correlation between compensation and employee morale. However, it is essential to recognise that financial rewards, while crucial, may not be a sustainable strategy for maintaining long-term motivation. Over time, reliance on monetary incentives alone tends to diminish as employees seek more profound fulfilment from their work.

3. METHODOLOGY

The study used a descriptive and explanatory research method to describe the extent of workforce diversity in one multinational company located in Johor Bharu, Johor, Malaysia and analyse the influence of diversity,

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equity and inclusion on employee motivation. A stratified random sample was used to ensure representation across the different business functions and hierarchical levels. A total of 55 self-administered surveys were distributed in each of these departments. However, only 47 (85.45%) of the completed questionnaires were returned and utilised for data analysis. The questionnaire was constructed using a 5-point Likert scale, with 1 denoting "strongly disagree" and 5 denoting "strongly agree." The demographic traits of the participants are presented in Table 1. Workforce diversity, equity and inclusion traits were the independent variables. Employee motivation was the dependent variable. The findings should be interpreted with caution due to the relatively small sample size and the heavy concentration of respondents from the R&D department. These factors may limit the generalisability of the results to other departments within the organisation or to different industries. Future studies should employ larger and more diverse samples across multiple organisations to enhance external validity.

4. RESULTS

The demographic profile of the respondents shows a workforce that is predominantly in the mid-career stage, with the largest proportion aged between 31 and 35 years (28%), followed by those aged 36 to 40 years (21%) and 26 to 30 years (19%). This suggests that the organisation has a relatively experienced talent pool, with fewer younger employees aged 20 to 25 (9%), indicating either lower recruitment of fresh graduates or a focus on hiring individuals with prior experience. In terms of gender distribution, men constitute the majority at 64%, while women make up 36%, reflecting a gender imbalance that may have implications for diversity and inclusion strategies, particularly if the organisation aims to align with gender equity targets such as those outlined in the Malaysian Code on Corporate Governance.

Regarding educational background, most respondents hold either a Diploma (36%) or a bachelor’s degree (34%), which highlights a strong base of technical and academic qualifications suitable for professional and technical roles. A smaller proportion hold master’s degrees (13%) or PhDs (11%), indicating the presence of advanced expertise, while a small group (6%) completed only SPM, possibly occupying operational or support roles. The tenure distribution reveals a balanced mix of experienced and newer employees, with the largest share having served between 6 and 10 years (23.4%), followed closely by those with 11 to 15 years (21.3%). Interestingly, there are equal proportions (14.9%) at both ends of the spectrum those with less than one year of service and those with 16 to 20 years suggesting ongoing talent renewal alongside a stable core of long-serving staff.

In terms of departmental representation, the majority (74%) are from Research and Development (R&D), with smaller groups from Manufacturing (15%), Others (6%), and Engineering (4%). This indicates that the organisation’s primary operational focus is heavily weighted towards R&D activities, which may influence its talent needs, skill development strategies, and innovation capacity. However, such concentration may also lead to underrepresentation of other functional areas, potentially affecting cross-departmental perspectives and diversity of thought. Overall, the profile suggests an organisation with a strong technical and research-oriented workforce, moderate educational diversity, a predominantly male composition, and a mix of experienced and newer employees. These characteristics have direct implications for workforce planning, succession management, and DEI policies, particularly in addressing gender balance, age diversity, and cross-functional representation.

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Table 1. Demographic Profile

Age Group	Frequency	Percentage (%)
20-25	4	9
26-30	9	19
31-35	13	28
36-40	10	21
41-45	6	13
46-50	5	11
Gender		
Man	30	64.0
Woman	17	36.0
Educational Background		
PhD	5	11
Master's Degree	6	13
Bachelor's Degree	16	34
Diploma	17	36
SPM	3	6
Tenure in Organisation		
Less than 1 year	7	14.9
1-5 years	9	19.1
6-10 years	11	23.4
11-15 years	10	21.3
16-20 years	7	14.9
21 years and above	3	6.4
Department		
Research & Development	35	74
Manufacturing	7	15
Engineering	2	4
Others	3	6

The regression model was found to be statistically significant and provided a good fit to the data. Table 2 presents the model summary. The coefficient of determination (R^2) was 0.579, indicating that approximately 57.9% of the variance in employee motivation can be explained by the combined effects of diversity, equity, and inclusion. The adjusted R^2 of 0.550 accounts for the number of predictors and suggests a moderate to strong model fit. The Durbin-Watson value of 1.966 is close to 2.0, which indicates that there is no significant autocorrelation in the residuals.

Table 2. Model Summary

Model	R	R^2	Adjusted R^2	Std. Error of Estimate	Durbin-Watson
1	.761	.579	.550	.50648	1.966

The overall regression model was tested using the ANOVA (Analysis of Variance) approach. The results are presented in Table 3. The F-statistics of 19.717 and the corresponding p-value of 0.000 indicate that the overall model is statistically significant at the 0.05 level. This means that diversity, equity, and inclusion collectively have a significant effect on motivation.

Table 3. ANOVA

Source	Sum of Squares	df	Mean Square	F	Sig. (p)
Regression	15.174	3	5.058	19.717	.000
Residual	11.031	43	0.257		
Total	26.204	46			

To assess the individual contribution of each independent variable, the standardised and unstandardised coefficients were examined. Table 4 presents the regression coefficients for the predictors Diversity, Equity, and Inclusion in explaining the dependent variable. The constant value is 0.398 but is statistically insignificant ($p = 0.410$), indicating that the model's baseline effect without predictors is negligible. Diversity

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shows a positive but small unstandardised coefficient (B = 0.176) and is statistically insignificant (p = 0.287), suggesting it does not meaningfully influence the dependent variable. In contrast, Equity has a positive and statistically significant effect (B = 0.430, p = 0.016) with a standardised Beta of 0.349, highlighting its substantial contribution to the model. Similarly, Inclusion exhibits a significant positive relationship (B = 0.354, p = 0.003) and the highest standardised Beta (0.395), making it the strongest predictor among the three. Furthermore, the Variance Inflation Factor (VIF) values for all predictors are below 2, indicating no multicollinearity concerns and ensuring the reliability of the regression results.

Table 4. Regression Coefficients

Predictor	B	Std. Error	Beta	T	Sig. (p)	VIF
(Constant)	0.398	0.478	-	0.832	0.410	-
Diversity	0.176	0.164	0.144	1.078	0.287	1.825
Equity	0.430	0.172	0.349	2.500	0.016	1.987
Inclusion	0.354	0.111	0.395	3.188	0.003	1.567

5. DISCUSSION

The regression analysis results reveal important insights into the relative contributions of Diversity, Equity, and Inclusion to the outcome studied. While all predictors show positive coefficients, only Equity and Inclusion emerge as statistically significant predictors, underscoring their greater influence. Specifically, Equity demonstrates a substantial positive effect (B = 0.430, p = 0.016), suggesting that fostering fairness and equal access within an organisation strongly enhances the outcome variable. This finding aligns with literature emphasising that equitable practices promote trust, engagement, and performance among stakeholders. Similarly, Inclusion shows a significant and positive association (B = 0.354, p = 0.003) with the highest standardised Beta (0.395), indicating it is the most impactful factor in the model. This reinforces the argument that creating an environment where individuals feel valued, respected, and able to contribute meaningfully can drive positive organisational outcomes.

In contrast, Diversity, despite having a positive coefficient (B = 0.176), is statistically insignificant (p = 0.287), suggesting that mere demographic variety without corresponding equitable and inclusive practices may not translate into measurable benefits. This finding is consistent with research indicating that diversity alone, without supportive structures, may not yield the desired organisational improvements. The relatively low Variance Inflation Factor (VIF) values for all predictors, all below 2, indicate that multicollinearity is not a concern in this model, thus enhancing the credibility of these interpretations.

Overall, the results emphasise that while diversity is a foundational element, its effectiveness is amplified when complemented by equity and inclusion initiatives. Organisations aiming to improve performance and engagement should therefore prioritise holistic DEI strategies, ensuring that diverse representation is coupled with equitable opportunities and an inclusive culture that empowers every member. This integrated approach can create sustainable positive impacts, both internally and externally.

6. CONCLUSION

This study provides a comprehensive examination of the influence of diversity, equity, and inclusion (DEI) on employee motivation. The findings indicate that while workforce diversity alone does not significantly predict employee motivation, equity and inclusion play critical roles in shaping employee engagement, satisfaction, and commitment. This suggests that the presence of diverse employees is insufficient to enhance motivation unless supported by fair practices and inclusive workplace environments.

Among the variables examined, inclusion emerged as the strongest predictor of employee motivation, highlighting the importance of fostering organisational cultures that promote belonging, respect, and psychological safety. Equity also demonstrated a significant positive relationship with motivation, emphasising the role of transparent policies, fair treatment, and equal access to opportunities in strengthening employee morale and organisational attachment. Together, these factors contribute to a supportive work climate that enhances intrinsic motivation and work performance.

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These findings align with established motivational theories, including equity theory, self-determination theory, and social exchange theory, which emphasise fairness, autonomy, and meaningful interpersonal relationships as core drivers of motivation. By addressing challenges such as exclusion, perceived unfairness, and inequitable access to opportunities, organisations can improve employee motivation, reduce turnover intentions, and enhance overall performance.

Ultimately, the strategic implementation of equity- and inclusion-focused practices is essential for cultivating a motivated workforce. Organisations that prioritise inclusive leadership and equitable policies, rather than diversity alone, are better positioned to align employee goals with organisational objectives and sustain long-term effectiveness.

For HR professionals in Malaysia, the findings suggest three practical steps to move from minimal compliance to integrated DEI governance. First, embed DEI into talent processes by tracking metrics on hiring, promotion, pay equity, and representation across levels. Second, establish clear accountability at board and management levels, ensuring DEI outcomes are tied to performance evaluations. Lats, implement safe grievance mechanisms aligned with the Anti-Sexual Harassment Act 2022, with measurable remediation timelines to protect employees and strengthen trust.

DECLARATION OF GENERATIVE AI AND AI-ASSISTED TECHNOLOGIES

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CONFLICT OF INTEREST STATEMENT

The authors of this manuscript declare that there is no conflict of interest pertaining to the contents presented in this research.

AUTHORS' CONTRIBUTIONS

Mohd Asmadi Mohd Angsor conducted the fieldwork, compiled the literature review, and supervised the whole article's composition. Arifha Mohamad authored the research methodology and conducted the data entry. Mohd Shahrulnizam Ab Rahim executed the statistical analysis and interpretation of the findings. Mohd Nazir Mohd Adi contributed to the compilation of secondary data, created the visual representation of findings, and assisted with editing the paper. All authors contributed essential comments and assisted in refining the research, analysis, and article.

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