

Human Resource Practices and Organizational Performance in Libyan Oil Companies: The Mediating Effect of an Inclusive Work Environment

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Abstract: *This study investigates the relationship between human resource practices and organizational performance in Libyan oil companies, with a specific focus on the mediating role of an inclusive work environment. Operating in a complex and resource-intensive sector, oil companies increasingly rely on effective human resource systems to enhance performance while managing workforce diversity and organizational challenges. Using a quantitative, cross-sectional research design, data were collected through a structured questionnaire administered to employees in Libyan oil companies, yielding 380 valid responses. Partial least squares structural equation modeling was employed to evaluate the measurement model, assess structural relationships, and test the proposed mediation framework. The findings reveal that human resource practices have a positive and significant effect on organizational performance and strongly influence the development of an inclusive work environment. The results further demonstrate that an inclusive work environment positively affects organizational performance and partially mediates the relationship between human resource practices and performance outcomes. These findings highlight the importance of embedding inclusive principles within human resource systems to maximize their performance impact. The study contributes to the human resource management and organizational performance literature by providing empirical evidence from the oil and gas sector in a developing country context. From a practical perspective, the results emphasize the need for managers in Libyan oil companies to design and implement human resource practices that promote inclusion as a strategic mechanism for achieving sustainable organizational performance.*

Keywords: Human resource practices; Inclusive work environment; Organizational performance; Oil and gas sector; Libyan oil companies.

1. Introduction

Human resource practices have increasingly been recognized as a strategic driver of organizational performance, particularly in complex and capital-intensive industries such as oil and gas. Effective human resource management systems enable organizations to align employee capabilities with strategic objectives, enhance productivity, and sustain competitive advantage in volatile operating environments. Evidence from the oil and gas sector indicates that strategically designed human resource practices contribute significantly to improved organizational outcomes by strengthening workforce competence and commitment (Chourasia et al., 2023). In developing countries, the role of human resource practices becomes even more critical due to institutional constraints, workforce skill gaps, and organizational instability. Integrating human resource practices with broader organizational strategies has been shown to enhance both employee well-being and organizational performance under such conditions (Al_Kasasbeh, 2024). Human resource management practices such as

recruitment, training, performance appraisal, and reward systems directly influence employee motivation and effectiveness, thereby shaping organizational performance outcomes (Madhavkumar, 2023).

Within the oil and gas industry, organizations operate in environments characterized by high operational risk, technological complexity, and strict performance demands. Strategic human resource management has been identified as a key mechanism for enabling oil and gas organizations to maintain operational efficiency and long-term sustainability (Chourasia et al., 2023). Empirical evidence suggests that performance-oriented human resource practices improve organizational outcomes by fostering trust, accountability, and performance clarity among employees (Ali et al., 2022). However, recent research indicates that the effectiveness of human resource practices may depend on the broader work environment in which they are implemented. An inclusive work environment has emerged as a critical organizational condition that enhances the effectiveness of human resource practices. Inclusive workplaces are characterized by fairness, respect, participation, and a sense of belonging, which collectively shape positive employee attitudes and behaviors. Research demonstrates that inclusive work environments positively influence job satisfaction and employee performance by enabling individuals to contribute fully regardless of demographic or social differences (Maj, 2023). Workplace inclusion has also been shown to strengthen employees' psychological engagement and collaborative behaviors, which are essential for organizational success (Ahmed et al., 2022).

The importance of inclusion is particularly pronounced in sectors undergoing transformation and sustainability pressures, such as energy and oil-based industries. Human resource practices that promote inclusion support sustainable organizational performance by reinforcing positive organizational climates and employee commitment (Sahan et al., 2025). Inclusive human resource policies have been linked to improved organizational climates that encourage innovation, cooperation, and long-term performance (Marabini & Henkens, 2023). Moreover, diversity and inclusion initiatives have been empirically associated with higher organizational effectiveness across sectors (Okatta et al., 2024). Despite growing scholarly attention to human resource practices and inclusion, limited empirical research has examined their combined effects on organizational performance within oil-producing developing economies. Studies in related contexts suggest that inclusive work environments may function as a mediating mechanism through which human resource practices translate into improved organizational outcomes (Megdad & Onbasioglu, 2024). However, evidence specific to oil companies operating in challenging institutional environments remains scarce.

Libyan oil companies provide a particularly relevant context for examining these relationships. The sector faces persistent operational, institutional, and workforce challenges that demand effective human resource strategies capable of enhancing performance while fostering employee inclusion. Research focusing on workplace inclusivity in the oil and gas industry highlights the need for context-specific evidence to guide human resource decision-making (Isaac, 2025). Understanding how inclusive work environments mediate the relationship between human resource practices and organizational performance can therefore offer valuable theoretical and practical insights. Accordingly, this study investigates the impact of human resource practices on organizational performance in Libyan oil companies, with a specific focus on the mediating role of an inclusive work environment. By empirically testing this mediation framework, the study contributes to the human resource management and organizational performance literature and provides actionable implications for managers operating in the oil and gas sector. The findings are expected to inform human resource policy design aimed at improving organizational performance through inclusive workplace practices.

2. Literature Review

2.1 Theoretical Discussion

The relationship between human resource practices and organizational performance has been extensively examined through strategic management and organizational behavior theories. Strategic

human resource management theory emphasizes that human resources constitute a critical organizational asset that can be leveraged to achieve superior performance when aligned with organizational goals. Empirical evidence from the oil and gas sector supports the argument that strategically designed human resource practices enhance organizational performance by improving workforce capability and coordination (Chourasia et al., 2023). Human capital theory further explains how investments in employee skills, knowledge, and competencies translate into improved organizational outcomes. Human resource practices such as training, performance appraisal, and rewards enhance employee productivity by strengthening individual capabilities and motivation. Madhavkumar (2023) demonstrates that organizations adopting systematic human resource management practices achieve higher levels of operational and financial performance due to improved human capital utilization.

From an organizational systems perspective, human resource practices do not operate in isolation but interact with organizational climate and culture to shape employee behavior. Integrating technological innovations with human resource practices has been shown to improve both employee well-being and organizational performance in developing country contexts. Al_Kasasbeh (2024) argues that effective human resource systems create supportive work environments that enable employees to perform optimally under challenging conditions. The concept of an inclusive work environment is grounded in social exchange theory, which posits that employees reciprocate organizational support with positive work attitudes and behaviors. Inclusive work environments signal fairness, respect, and recognition, thereby strengthening employees' psychological attachment to the organization. Maj (2023) finds that inclusive workplace climates significantly enhance job satisfaction by fostering a sense of belonging and mutual respect among employees.

Organizational climate theory further explains how shared employee perceptions of inclusion shape collective behavior and performance outcomes. Inclusive organizational climates encourage collaboration, knowledge sharing, and trust, which are essential for effective performance in complex work settings. Park et al. (2023) highlight that climate for inclusion represents a distinct organizational construct that influences employee attitudes beyond formal diversity policies. The interaction between human resource practices and inclusive work environments is also supported by high-performance work systems theory. High-performance practices are most effective when implemented within organizational climates that support participation and inclusion. Rawashdeh et al. (2025) demonstrate that performance-oriented human resource practices yield stronger organizational outcomes when employees perceive supportive and inclusive organizational conditions.

Inclusion theory suggests that human resource practices play a foundational role in shaping inclusive organizational environments. Recruitment fairness, transparent appraisal systems, and equitable reward structures contribute directly to employees' perceptions of inclusion. Ezeafulukwe et al. (2024) argue that inclusive human resource practices are essential for creating employment environments that accommodate workforce diversity while maintaining performance standards. The mediating role of organizational climate is well established in management research, where climate variables explain how managerial practices influence performance outcomes. Organizational climate theory posits that managerial practices shape shared perceptions, which in turn influence employee behavior and organizational effectiveness. Megdad and Onbasioglu (2024) provide empirical evidence that organizational climate mediates the relationship between human resource strategies and competitive advantage.

Sustainability-oriented perspectives further reinforce the relevance of inclusion as a mediating mechanism. Sustainable human resource management emphasizes long-term organizational performance through inclusive and adaptive workplace practices. Manao and Senen (2024) assert that inclusive organizational cultures enhance adaptability and resilience by enabling employees to contribute meaningfully to organizational objectives. Within the oil and gas sector, inclusion is increasingly viewed as a strategic necessity rather than a social initiative. Inclusive work environments have been linked to improved coordination, reduced conflict, and enhanced employee commitment in energy-intensive industries. Isaac (2025) emphasizes that inclusive workplace

strategies are critical for sustaining performance in oil and gas organizations facing technological and operational complexity. Collectively, these theoretical perspectives suggest that human resource practices influence organizational performance both directly and indirectly through the creation of inclusive work environments. The integration of strategic human resource management, human capital development, and organizational climate theories provides a robust foundation for examining the mediating role of inclusive work environments in the relationship between human resource practices and organizational performance.

2.2 Hypotheses Development

2.2.1 Human Resource Practices and Organizational Performance

Human resource practices play a fundamental role in shaping organizational performance by structuring how employees are recruited, developed, evaluated, and rewarded. Strategic human resource management theory suggests that organizations achieve superior performance when human resource practices are aligned with organizational objectives and operational demands. Evidence from the oil and gas sector demonstrates that strategic human resource practices enhance organizational performance by improving workforce efficiency and operational coordination (Chourasia et al., 2023). Empirical research consistently indicates that effective human resource practices strengthen employee capabilities and motivation, which directly translate into improved organizational outcomes. Madhavkumar (2023) shows that organizations implementing structured training, appraisal, and reward systems experience higher levels of productivity and performance. Human resource practices also establish performance expectations and accountability mechanisms that guide employee behavior toward organizational goals (Ali et al., 2022).

In developing country contexts, human resource practices are particularly important due to institutional constraints and workforce skill gaps. Integrating human resource practices with organizational strategy has been shown to enhance organizational performance by improving employee engagement and stability (Al_Kasasbeh, 2024). Sustainable and technology-enabled human resource systems further support organizational performance by enhancing efficiency and transparency in human resource processes (Bag et al., 2022). Within the oil and gas industry, high-performance work practices have been linked to improved organizational outcomes due to their ability to manage complex operational environments. Rawashdeh et al. (2025) demonstrate that performance-oriented human resource practices positively influence organizational performance by strengthening employee commitment and work discipline. Based on this theoretical and empirical evidence, it is expected that human resource practices will have a direct positive effect on organizational performance.

H1: Human resource practices have a significant positive effect on organizational performance.

2.2.2 Human Resource Practices and Inclusive Work Environment

Human resource practices are central to shaping employees' perceptions of fairness, respect, and participation within the workplace. Inclusion theory posits that organizational policies and practices influence whether employees feel valued and supported, which determines their sense of belonging. Inclusive work environments are therefore largely constructed through human resource decisions related to recruitment, appraisal, promotion, and rewards. Research suggests that transparent and equitable human resource practices contribute significantly to the development of inclusive work environments. Noor et al. (2024) find that diversity-oriented human resource practices enhance employees' perceptions of inclusion by reducing bias and promoting equal opportunities. Inclusive employment practices have also been identified as essential mechanisms for integrating diverse employee groups into organizational systems (Ezeafulukwe et al., 2024).

Human resource practices that emphasize participation and fairness strengthen organizational climates that support inclusion. Marabini and Henkens (2023) show that age-inclusive human

resource policies positively influence organizational climate by fostering respect and collaboration across employee groups. Technology-enabled human resource practices further enhance inclusion by improving access to organizational resources and reducing procedural inequities (Nyathi & Kekwaletswe, 2024). In sustainability-focused organizations, human resource practices promoting inclusion contribute to adaptive and resilient organizational cultures. Manao and Senen (2024) argue that inclusive human resource systems are critical for building organizational cultures that support employee voice and engagement. These findings suggest that human resource practices are instrumental in shaping inclusive work environments.

H2: Human resource practices have a significant positive effect on an inclusive work environment.

2.2.3 Inclusive Work Environment and Organizational Performance

An inclusive work environment is increasingly recognized as a key organizational condition that enhances employee performance and organizational effectiveness. Social exchange theory suggests that when employees perceive inclusion and support, they reciprocate through increased effort and commitment. Inclusive work environments foster psychological safety, which enables employees to contribute fully to organizational goals. Empirical studies demonstrate that inclusive work environments positively influence job satisfaction, commitment, and performance. Maj (2023) finds that inclusive workplace climates significantly improve employee satisfaction by fostering fairness and belonging. Inclusive environments also enhance collaboration and teamwork, which are essential for organizational performance in complex operational settings (Ahmed et al., 2022).

Organizational climate theory further explains how inclusion shapes collective performance outcomes. Inclusive climates promote trust and cooperation, which improve coordination and efficiency. Park et al. (2023) emphasize that climate for inclusion is a distinct organizational construct that directly affects performance-related attitudes and behaviors. Meta-analytic evidence confirms that diversity and inclusion initiatives positively affect organizational performance across sectors. Okatta et al. (2024) show that organizations implementing inclusion-focused practices achieve higher levels of performance and competitiveness. In the oil and gas sector, inclusive work environments have been identified as essential for sustaining performance under technological and operational pressures (Isaac, 2025).

H3: An inclusive work environment has a significant positive effect on organizational performance.

2.2.4 Mediating Role of Inclusive Work Environment

While human resource practices directly influence organizational performance, theoretical perspectives suggest that their effectiveness may depend on the organizational context in which they operate. Organizational climate theory proposes that managerial practices shape shared perceptions, which in turn influence employee behavior and performance. Inclusive work environments may therefore act as a mediating mechanism through which human resource practices translate into improved organizational outcomes. Empirical research supports the mediating role of organizational climate in human resource–performance relationships. Megdad and Onbasioglu (2024) demonstrate that organizational climate mediates the relationship between human resource strategies and competitive advantage. Inclusive climates, in particular, enhance the impact of human resource practices by fostering trust, cooperation, and engagement.

High-performance work practices are more effective when implemented within inclusive organizational environments. Alghofeli et al. (2024) show that supportive climates for inclusion strengthen the effects of human resource practices on employee outcomes. Sustainable human resource management research further indicates that inclusive work environments amplify the long-term performance benefits of human resource practices (Sahan et al., 2025). In oil and gas

organizations, inclusion is especially important due to workforce diversity and operational complexity. Inclusive work environments facilitate collaboration and reduce conflict, thereby enhancing the performance impact of human resource practices (Isaac, 2025). These arguments suggest that inclusive work environments serve as a key explanatory mechanism linking human resource practices to organizational performance.

H4: An inclusive work environment mediates the relationship between human resource practices and organizational performance.

3. Methodology

This study employed a quantitative, cross-sectional research design to examine the effect of human resource practices on organizational performance, with an inclusive work environment serving as a mediating variable in Libyan oil companies. A quantitative approach is appropriate for testing theoretically derived relationships among latent constructs and for estimating mediation effects using structural equation modeling techniques (Wani & Ganaie, 2025). The oil and gas sector was selected as the research context due to its reliance on structured human resource systems and its exposure to operational complexity that necessitates effective workforce management (Chourasia et al., 2023). Primary data were collected through a structured questionnaire administered to employees working in Libyan oil companies. The questionnaire targeted employees from different functional areas to ensure variability in perceptions related to human resource practices, inclusion, and organizational performance. A total of 380 usable responses were obtained, which exceeds the minimum sample size requirements for partial least squares structural equation modeling and supports robust statistical inference (Situmorang, 2024).

Human resource practices were measured using multiple items capturing core HR dimensions, including recruitment, training, performance appraisal, and reward management. These dimensions reflect strategic and operational human resource practices that shape employee behavior and performance outcomes. Prior empirical research confirms that structured human resource management practices serve as significant predictors of organizational performance across sectors (Madhavkumar, 2023). The inclusive work environment construct was operationalized through items assessing employees' perceptions of fairness, participation, respect, and belonging within the organization. Measures of inclusion are widely used to capture organizational climate conditions that influence employee attitudes and behavior. Climate-for-inclusion measures have been validated as reliable indicators of inclusive organizational environments (Park et al., 2023).

Organizational performance was measured using subjective indicators reflecting operational effectiveness, productivity, and overall performance outcomes. Subjective performance measures are commonly adopted in organizational research when access to objective financial data is limited. Empirical studies have demonstrated that subjective performance assessments provide valid and reliable representations of organizational performance (Rawashdeh et al., 2025). All constructs were measured using a five-point Likert scale ranging from strongly disagree to strongly agree. Likert-scale instruments are widely accepted in human resource management research for capturing employee perceptions and attitudes. The use of Likert-type scales enhances measurement consistency and comparability across respondents (Khalil et al., 2023).

Data analysis was conducted using partial least squares structural equation modeling to evaluate both the measurement and structural models. PLS-SEM was selected due to its suitability for predictive research, mediation analysis, and models involving multiple latent constructs. This method is particularly appropriate for examining indirect effects in human resource management studies (Wani & Ganaie, 2025). The measurement model was assessed through indicator loadings, internal consistency reliability, and convergent and discriminant validity criteria. Structural model evaluation involved examining path coefficients, coefficients of determination, and hypothesis testing using bootstrapping procedures. Bootstrapping techniques provide a robust approach for testing mediation effects in PLS-SEM models (Situmorang, 2024). Ethical considerations were strictly observed

throughout the research process. Participation in the survey was voluntary, and respondents were informed of the academic purpose of the study. Confidentiality and anonymity were ensured by excluding any identifying information from the data collection process. Ethical compliance is essential for maintaining credibility and trust in organizational and human resource management research (Isaac, 2025).

4. Findings

This section presents the empirical results of the study based on the analysis of the collected survey data using partial least squares structural equation modeling. The findings are reported in a structured manner, beginning with preliminary data screening and descriptive statistics, followed by the evaluation of the measurement model and the assessment of the structural model. The results include reliability and validity testing, examination of the hypothesized relationships, and analysis of the mediating effect of the inclusive work environment on the relationship between human resource practices and organizational performance.

Prior to hypothesis testing, the data were examined to assess their suitability for structural equation modeling. Normality was evaluated using skewness and kurtosis statistics for all latent constructs included in the study. As presented in Table 1, the skewness values for Human Resource Practices (−0.432), Inclusive Work Environment (−0.219), and Organizational Performance (−0.083) fall within acceptable thresholds, indicating a reasonably symmetrical distribution of responses. Similarly, kurtosis values for Human Resource Practices (0.771), Inclusive Work Environment (−0.276), and Organizational Performance (0.591) remain within recommended limits, suggesting no significant issues related to peakedness or flatness in the data distribution. The results of the normality assessment indicate that the data do not exhibit severe departures from normality. These findings support the appropriateness of using partial least squares structural equation modeling for subsequent analyses, as the method is robust to minor deviations from normality and suitable for complex mediation models. Overall, the preliminary analysis confirms that the dataset is adequate for evaluating the measurement model and testing the hypothesized relationships among human resource practices, inclusive work environment, and organizational performance.

Table 1. Normality test

	N	Skewness	Kurtosis
HRP	380	-0.432	0.771
IWE	380	-0.219	-0.276
OP	380	-0.083	0.591

HRP: Human Resources Practices; **IWE:** Inclusive Work Environment; **OP:** Operational Performance

Descriptive statistics were examined to summarize respondents' perceptions of the study variables. As reported in Table 2, Human Resource Practices recorded a mean value of 3.183 with a standard deviation of 0.580, indicating a moderate level of agreement among respondents regarding the effectiveness of HR practices within their organizations. The relatively low standard deviation suggests a reasonable degree of consistency in respondents' evaluations of HR-related policies and procedures. The Inclusive Work Environment construct exhibited a mean score of 3.241 and a standard deviation of 0.676. This finding reflects a moderately positive perception of inclusiveness within the workplace, while the slightly higher dispersion indicates some variation in how employees experience fairness, participation, and belonging across organizational units. Organizational Performance showed the highest mean value among the constructs at 3.297, with a standard deviation of 0.544. This result suggests that respondents generally perceived their organizations to perform at a moderately high level in terms of operational effectiveness and overall performance outcomes. The

relatively low variability indicates a shared perception of organizational performance among respondents.

Table 2. Descriptive Analysis

Items	N	Mean	Std. Deviation
HRP	380	3.183	0.580
IWE	380	3.241	0.676
OP	380	3.297	0.544

HRP: Human Resources Practices; **IWE:** Inclusive Work Environment; **OP:** Operational Performance

The measurement model was first evaluated at the first-order level to assess the reliability and validity of the latent constructs included in the study. As illustrated in Figure 1, all observed indicators exhibited acceptable factor loadings on their respective constructs, indicating that the measurement items adequately represent the underlying latent variables. The factor structure confirms that the items measuring Human Resource Practices, Inclusive Work Environment, and Organizational Performance load strongly on their intended constructs without substantial cross-loadings. The results of the first-order measurement model evaluation demonstrate satisfactory internal consistency, as the indicators consistently reflect their associated constructs. The pattern of standardized loadings indicates that the measurement items contribute meaningfully to construct measurement, supporting the unidimensionality of each latent variable. These findings suggest that the indicators reliably capture the theoretical concepts proposed in the research model.

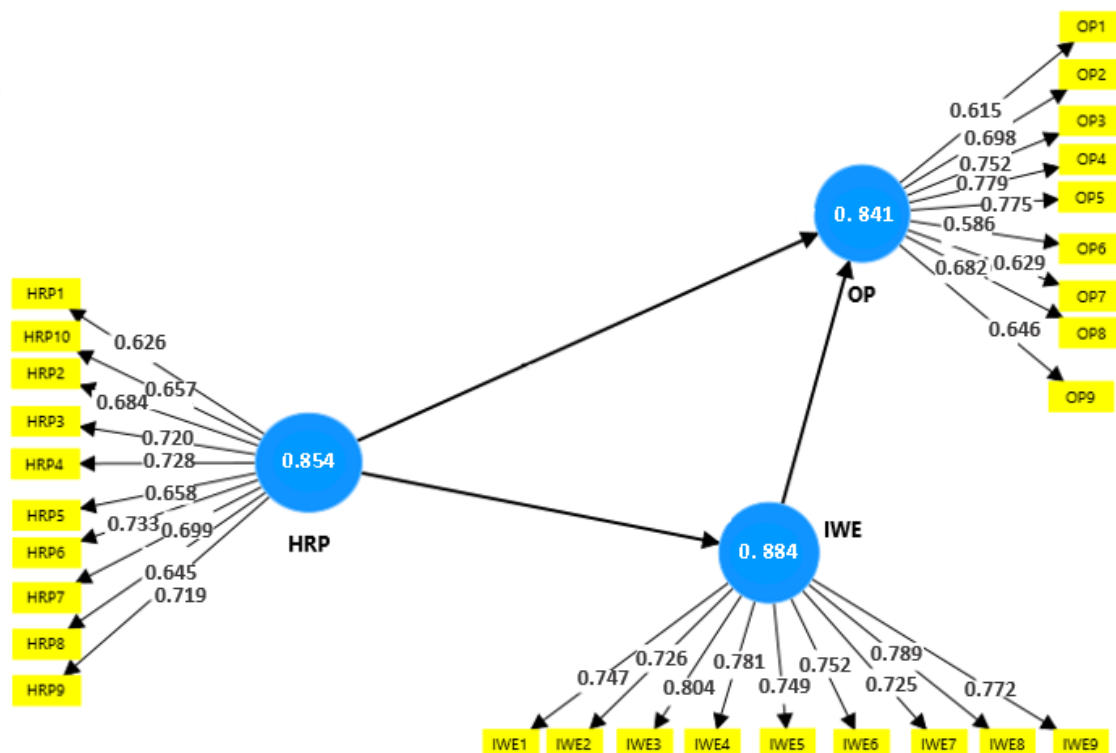


Figure 1. Evaluation of Measurement Model (First order)

The reliability and convergent validity of the measurement model were assessed using indicator loadings, Cronbach's alpha, composite reliability, and average variance extracted. As shown in Table 3, all indicators for Human Resource Practices, Inclusive Work Environment, and Organizational Performance demonstrate acceptable standardized loadings, indicating that the observed variables adequately represent their respective latent constructs. Although some indicator loadings are below 0.70, they remain within acceptable limits and were retained due to their theoretical relevance and

contribution to construct validity. Internal consistency reliability was confirmed for all constructs. Human Resource Practices exhibited a Cronbach's alpha value of 0.854 and a composite reliability value of 0.860, indicating strong internal consistency among its measurement items. Inclusive Work Environment demonstrated high reliability with a Cronbach's alpha of 0.884 and a composite reliability of 0.888. Organizational Performance also showed satisfactory internal consistency, with a Cronbach's alpha of 0.841 and a composite reliability of 0.846. These values exceed commonly accepted thresholds, confirming the reliability of all constructs. Convergent validity was assessed using average variance extracted values. Inclusive Work Environment achieved an AVE value of 0.610, exceeding the recommended minimum threshold and indicating adequate convergent validity. Human Resource Practices and Organizational Performance both recorded AVE values of 0.499, which are marginally below the conventional cutoff but acceptable given the strong composite reliability values and theoretical justification of the constructs. This indicates that a substantial proportion of variance in the indicators is captured by their respective constructs.

Table 3. Construct Reliability and Validity -Initial Model measurements

	Loading	Cronbach's alpha	Composite reliability	Average variance extracted (AVE)
HRP1	0.626	0.854	0.860	0.499
HRP10	0.657			
HRP2	0.684			
HRP3	0.720			
HRP4	0.728			
HRP5	0.658			
HRP6	0.733			
HRP7	0.699			
HRP8	0.645			
HRP9	0.719			
IWE1	0.747	0.884	0.888	0.610
IWE2	0.726			
IWE3	0.804			
IWE4	0.781			
IWE5	0.749			
IWE6	0.752			
IWE7	0.725			
IWE8	0.789			
IWE9	0.772			
OP1	0.615	0.841	0.846	0.499
OP2	0.698			
OP3	0.752			
OP4	0.779			
OP5	0.775			
OP6	0.586			
OP7	0.629			
OP8	0.682			
OP9	0.646			

HRP: Human Resources Practices; **IWE:** Inclusive Work Environment; **OP:** Operational Performance

Following the assessment of the first-order measurement model, a second-order measurement model was evaluated to confirm the hierarchical structure of the latent constructs. As illustrated in Figure 2, the second-order model demonstrates satisfactory relationships between the higher-order constructs and their corresponding lower-order dimensions. The standardized path coefficients indicate that the first-order constructs load adequately onto their respective second-order constructs, supporting the conceptualization of Human Resource Practices, Inclusive Work Environment, and Organizational Performance as higher-order latent variables. The evaluation of the second-order measurement model confirms that the hierarchical structure is statistically and conceptually sound. The strength and consistency of the loadings suggest that the higher-order constructs effectively capture the shared

variance among their underlying dimensions. This indicates that the second-order constructs provide a parsimonious and theoretically meaningful representation of the measurement structure without compromising explanatory power.

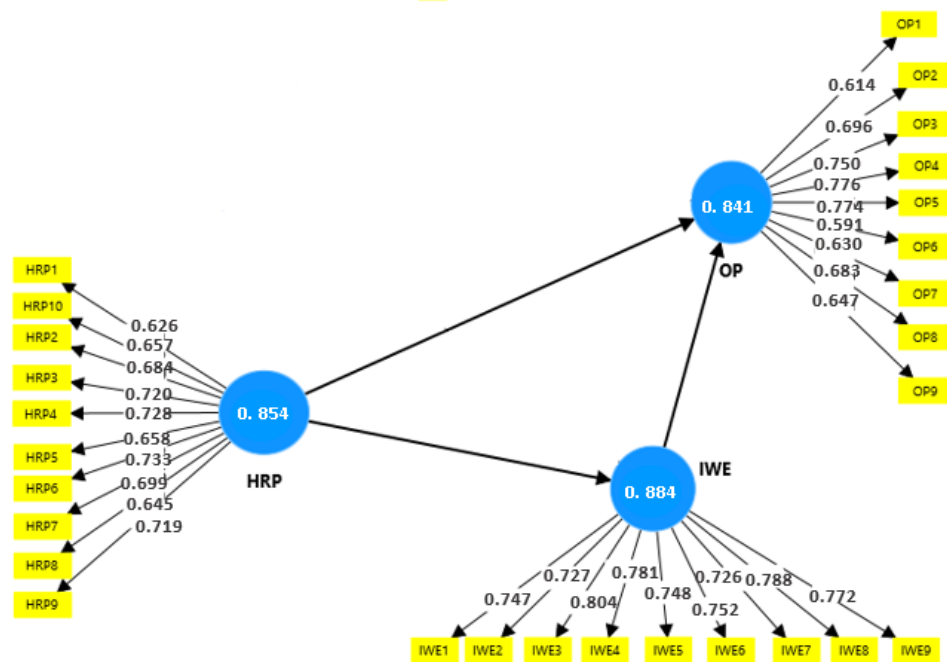


Figure 2. Evaluation of Measurement Model (Second Order)

Following the refinement of the measurement model, the final model was evaluated to confirm the reliability and validity of all constructs. As presented in Table 4, the standardized factor loadings for Human Resource Practices, Inclusive Work Environment, and Organizational Performance remain stable and within acceptable ranges, indicating that the retained indicators adequately represent their respective constructs. Although some loadings are modest, all items contribute meaningfully to construct measurement and were retained based on theoretical relevance and overall model performance. Internal consistency reliability was confirmed across all constructs in the final model. Human Resource Practices demonstrated strong reliability, with a Cronbach's alpha value of 0.854 and a composite reliability of 0.860. Inclusive Work Environment exhibited high internal consistency, reflected in a Cronbach's alpha of 0.884 and a composite reliability of 0.888. Organizational Performance also showed satisfactory reliability, with a Cronbach's alpha of 0.841 and a composite reliability of 0.846. These values exceed recommended thresholds, confirming the consistency of the measurement scales. Convergent validity was assessed using average variance extracted values. Inclusive Work Environment achieved an AVE value of 0.610, indicating that a substantial proportion of variance in the indicators is captured by the construct. Human Resource Practices and Organizational Performance recorded AVE values of 0.499 and 0.498, respectively, which are marginally below the conventional cutoff but acceptable given the strong composite reliability values and the multidimensional nature of the constructs. This suggests that the final model achieves an adequate balance between reliability and convergent validity.

Table 4. Final Model measurements

	Loading	Cronbach's alpha	Composite reliability	Average variance extracted (AVE)
HRP1	0.626	0.854	0.860	0.499
HRP10	0.657			
HRP2	0.684			
HRP3	0.720			

	Loading	Cronbach's alpha	Composite reliability	Average variance extracted (AVE)
HRP4	0.728	0.884	0.888	0.610
HRP5	0.658			
HRP6	0.733			
HRP7	0.699			
HRP8	0.645			
HRP9	0.719			
IWE1	0.747			
IWE2	0.727			
IWE3	0.804			
IWE4	0.781	0.841	0.846	0.498
IWE5	0.748			
IWE6	0.752			
IWE7	0.726			
IWE8	0.788			
IWE9	0.772			
OP1	0.614			
OP2	0.696			
OP3	0.750			
OP4	0.776			
OP5	0.774			
OP6	0.591			
OP7	0.631			
OP8	0.683			
OP9	0.647			

HRP: Human Resources Practices; **IWE:** Inclusive Work Environment; **OP:** Operational Performance

Discriminant validity was assessed using the heterotrait–monotrait ratio of correlations to ensure that the study constructs are empirically distinct from one another. As reported in Table 5, all HTMT values between Human Resource Practices, Inclusive Work Environment, and Organizational Performance are below commonly accepted threshold values. The HTMT value between Human Resource Practices and Inclusive Work Environment is 0.607, indicating adequate discriminant validity between these constructs. The HTMT value between Human Resource Practices and Organizational Performance is 0.317, while the value between Inclusive Work Environment and Organizational Performance is 0.347. These results demonstrate that the constructs are sufficiently distinct and do not exhibit excessive overlap. The relatively low HTMT values further indicate that multicollinearity is not a concern in the measurement model.

Table 5. The heterotrait-monotrait ratio of correlations (HTMT)

	HRP	IWE	OP	PEE
HRP				
IWE	0.607			
OP	0.317	0.347		

HRP: Human Resources Practices; **IWE:** Inclusive Work Environment; **OP:** Operational Performance

Discriminant validity was further assessed using the Fornell–Larcker criterion to examine the extent to which each construct is distinct from the others in the model. As shown in Table 6, the square roots of the average variance extracted for Human Resource Practices, Inclusive Work Environment, and Organizational Performance are presented along the diagonal of the correlation matrix. In all cases, the diagonal values exceed the corresponding inter-construct correlations, indicating adequate discriminant validity. Specifically, the square root of AVE for Human Resource Practices (0.724) is greater than its correlations with Inclusive Work Environment (0.575) and Organizational Performance (0.296). Similarly, Inclusive Work Environment demonstrates a square root of AVE value of 0.801, which exceeds its correlations with Human Resource Practices (0.575) and

Organizational Performance (0.323). Organizational Performance also satisfies the Fornell–Larcker criterion, with a square root of AVE value of 0.724 that is higher than its correlations with the other constructs. These results confirm that each construct shares more variance with its own indicators than with other constructs in the model. Overall, the Fornell–Larcker assessment provides strong evidence of discriminant validity, supporting the empirical distinctiveness of human resource practices, inclusive work environment, and organizational performance and confirming the adequacy of the measurement model for subsequent structural model analysis.

Table 6. Latent Variable Correlations (Fornell-Larcker criteria)

	HRP	IWE	OP	PEE
HRP	0.724			
IWE	0.575	0.801		
OP	0.296	0.323	0.724	

HRP: Human Resources Practices; **IWE:** Inclusive Work Environment; **OP:** Operational Performance

The explanatory power of the structural model was assessed using the coefficient of determination (R^2) values for the endogenous constructs. As reported in Table 7, Human Resource Practices explain a substantial proportion of variance in the Inclusive Work Environment, with an R^2 value of 0.325 and an adjusted R^2 of 0.322. This indicates that human resource practices account for approximately 32.5% of the variance in employees' perceptions of workplace inclusion. Organizational Performance also demonstrates acceptable explanatory power within the structural model. The R^2 value for Organizational Performance is 0.143, with an adjusted R^2 of 0.136, suggesting that Human Resource Practices and the Inclusive Work Environment jointly explain approximately 14.3% of the variance in organizational performance outcomes. Although the explained variance is modest, it is considered meaningful in behavioral and organizational research contexts where performance outcomes are influenced by multiple organizational and environmental factors.

Table 7. Coefficient of Determination R Square (R^2)

	R-square	R-square adjusted
IWE	0.325	0.322
OP	0.143	0.136

IWE: Inclusive Work Environment; **OP:** Operational Performance

The structural relationships among the study constructs were examined using the path model, and the significance of the hypothesized paths was assessed through bootstrapping procedures. As illustrated in Figure 3, all hypothesized relationships in the model are statistically significant, indicating strong empirical support for the proposed research framework. The path coefficients demonstrate that human resource practices exert a positive and significant influence on both the inclusive work environment and organizational performance. The results show a strong and significant relationship between Human Resource Practices and Inclusive Work Environment, indicating that improvements in HR practices are associated with higher levels of perceived workplace inclusion. The path from Inclusive Work Environment to Organizational Performance is also statistically significant, suggesting that inclusive organizational conditions contribute meaningfully to improved performance outcomes. In addition, the direct path between Human Resource Practices and Organizational Performance remains significant, indicating that HR practices influence performance both directly and indirectly. The significance of all structural paths confirms the robustness of the proposed model and supports the theoretical assumption that inclusive work environments play an important explanatory role in the relationship between human resource practices and organizational performance. These findings provide a strong foundation for hypothesis testing and mediation analysis, which are reported in the subsequent section.

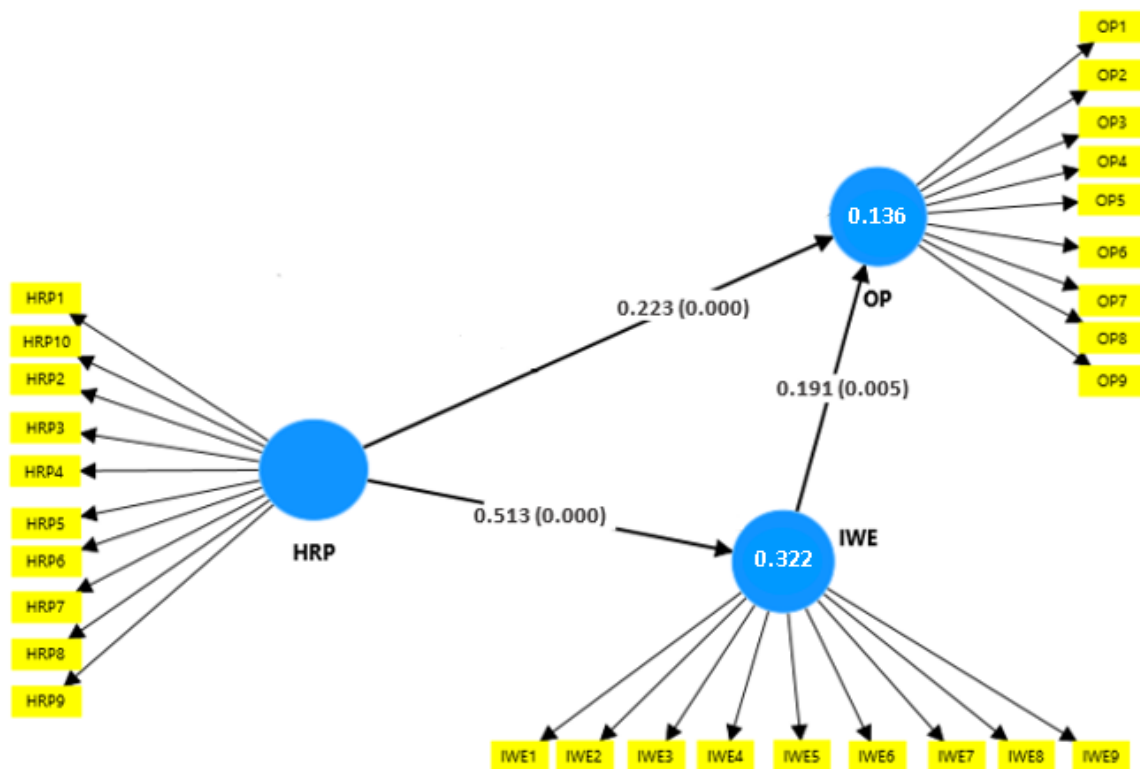


Figure 3. Path Model Significance Results

The hypotheses proposed in the study were tested using the structural model, and the results are summarized in Table 8. The findings indicate that all hypothesized relationships are statistically significant and supported by the data. The direct relationship between Human Resource Practices and Organizational Performance is positive and significant, with a standardized path coefficient of 0.223, a t-value of 3.971, and a p-value below 0.001. This result confirms that effective human resource practices contribute directly to improved organizational performance. The relationship between Inclusive Work Environment and Organizational Performance is also positive and statistically significant. The standardized path coefficient for this relationship is 0.191, with a t-value of 2.680 and a p-value of 0.005, indicating that higher levels of workplace inclusion are associated with better organizational performance outcomes. This finding highlights the importance of inclusive organizational conditions in enhancing performance.

The analysis further reveals a strong and significant relationship between Human Resource Practices and Inclusive Work Environment. The path coefficient for this relationship is 0.513, with a t-value of 12.680 and a p-value below 0.001, demonstrating that improvements in human resource practices substantially enhance employees' perceptions of workplace inclusion. This result underscores the role of human resource systems in shaping inclusive organizational environments. The mediating effect of Inclusive Work Environment on the relationship between Human Resource Practices and Organizational Performance was also examined and found to be statistically significant. The indirect effect has a standardized coefficient of 0.169, a t-value of 5.728, and a p-value below 0.001, confirming that Inclusive Work Environment partially mediates the relationship between Human Resource Practices and Organizational Performance. This finding indicates that human resource practices influence organizational performance both directly and indirectly through the creation of an inclusive work environment.

Table 8. Summary result of all hypothesis Testing

Hypothesis	Paths	Std. Beta	Std. Deviation	T-Value	P values	Decision
H1	HRP -> OP	0.223	0.053	3.971	0.000	Accepted
H2	IWE -> OP	0.191	0.067	2.680	0.005	Accepted
H3	HRP -> IWE	0.513	0.038	12.680	0.000	Accepted

Hypothesis	Paths	Std. Beta	Std. Deviation	T-Value	P values	Decision
H4	HRP -> IWE -> OP	0.169	0.028	5.728	0.000	Accepted

HRP: Human Resources Practices; **IWE:** Inclusive Work Environment; **OP:** Operational Performance

5. Discussion

The purpose of this study was to examine the relationship between human resource practices and organizational performance in Libyan oil companies, with particular attention to the mediating role of an inclusive work environment. The findings provide strong empirical support for the proposed model and offer important insights into how human resource practices translate into performance outcomes within a complex and resource-intensive sector. The results confirm that human resource practices exert both direct and indirect effects on organizational performance, highlighting the strategic importance of inclusion as an explanatory mechanism. The positive and significant relationship between human resource practices and organizational performance underscores the central role of structured HR systems in shaping organizational outcomes. This finding is consistent with strategic human resource management perspectives, which argue that aligned HR practices enhance organizational effectiveness by improving employee capability, motivation, and coordination. Evidence from the oil and gas sector demonstrates that strategically designed HR practices contribute to improved performance by supporting workforce discipline and operational efficiency (Chourasia et al., 2023). The present findings reinforce the argument that human resource practices remain a critical performance driver even in challenging institutional contexts such as Libya.

The results also demonstrate a strong positive relationship between human resource practices and the inclusive work environment. This finding suggests that HR systems play a foundational role in shaping employees' perceptions of fairness, participation, and belonging. Human resource practices that emphasize transparent recruitment, equitable appraisal, and fair reward systems are essential for fostering inclusive organizational climates. Research on inclusive employment practices confirms that HR policies are among the most influential organizational mechanisms for creating inclusive workplaces (Ezeafulukwe et al., 2024). The strength of this relationship highlights the capacity of HR practices to shape organizational climate beyond their administrative functions. The significant effect of the inclusive work environment on organizational performance provides further evidence that inclusion is not merely a social or ethical concern but a performance-relevant organizational condition. Inclusive work environments enhance collaboration, trust, and psychological safety, which collectively support higher levels of employee contribution. Empirical research shows that inclusive workplaces improve job satisfaction and work engagement, which in turn enhance organizational effectiveness (Maj, 2023). The present findings suggest that inclusion plays a similar role in the oil and gas sector, where teamwork and coordination are essential for operational success.

One of the most important contributions of this study lies in the confirmation of the mediating role of the inclusive work environment. The mediation results indicate that human resource practices influence organizational performance partly by shaping an inclusive organizational climate. This finding aligns with organizational climate theory, which posits that managerial practices influence shared perceptions that guide employee behavior. Empirical evidence demonstrates that organizational climate mediates the relationship between human resource strategies and organizational outcomes (Megdad & Onbasioglu, 2024). The current study extends this line of research by showing that inclusion-specific climate is a key explanatory mechanism in the HR–performance relationship. The partial mediation observed in the model suggests that while human resource practices directly enhance performance, their effectiveness is significantly amplified when implemented within inclusive organizational environments. This finding is consistent with research on high-performance work practices, which emphasizes that HR systems yield stronger outcomes when employees perceive supportive and participatory workplace conditions (Rawashdeh et al., 2025). The results indicate that inclusion strengthens the motivational and behavioral pathways through which HR practices affect performance.

From a sectoral perspective, the findings are particularly relevant to oil and gas organizations operating in environments characterized by workforce diversity and operational complexity. Inclusive work environments facilitate coordination across diverse employee groups and reduce conflict, thereby enhancing performance stability. Research focusing on the oil and gas industry emphasizes that inclusive workplace strategies are essential for sustaining performance under technological and institutional pressures (Isaac, 2025). The present study provides empirical support for this argument within the Libyan context. The discussion also highlights the broader implications of sustainable and adaptive human resource management. Inclusive work environments align with sustainability-oriented HR approaches that emphasize long-term organizational resilience and employee well-being. Sustainable HR systems that promote inclusion have been shown to enhance adaptability and organizational performance in dynamic environments (Manao & Senen, 2024). The findings suggest that inclusion serves as a strategic resource that strengthens the long-term performance effects of HR practices. Overall, the findings contribute to the human resource management and organizational performance literature by empirically demonstrating how inclusive work environments function as a critical mechanism linking HR practices to performance outcomes. The results extend prior research by providing evidence from the oil and gas sector in a developing country context, where empirical studies remain limited. By integrating strategic HRM and inclusion perspectives, the study offers a more nuanced understanding of performance drivers in complex organizational settings.

6. Conclusion

This study examined the relationship between human resource practices and organizational performance in Libyan oil companies, with a particular focus on the mediating role of an inclusive work environment. The findings demonstrate that human resource practices play a central role in shaping organizational performance, both directly and indirectly, by fostering workplace conditions that support fairness, participation, and a sense of belonging. By empirically validating this mediation framework, the study provides evidence that inclusion is a critical organizational mechanism through which human resource practices achieve performance outcomes. The results indicate that effective human resource practices significantly enhance employees' perceptions of an inclusive work environment, which in turn contributes to improved organizational performance. This highlights the importance of viewing inclusion not merely as a social or ethical initiative but as a strategic factor that strengthens organizational effectiveness. The confirmed mediating role of the inclusive work environment suggests that organizations can maximize the performance benefits of their human resource systems by embedding inclusive principles into everyday HR policies and practices.

From a practical perspective, the study underscores the need for managers in Libyan oil companies to adopt a holistic approach to human resource management. Strengthening recruitment transparency, performance appraisal fairness, and reward equity can contribute to more inclusive organizational climates and, consequently, better performance outcomes. These insights are particularly relevant for oil and gas organizations operating in complex and dynamic environments, where coordination, trust, and employee engagement are essential for sustaining performance. Despite its contributions, the study is subject to certain limitations. The cross-sectional research design restricts the ability to draw causal inferences, and the reliance on self-reported data may introduce perceptual bias. Future research could address these limitations by employing longitudinal designs, incorporating objective performance indicators, and examining additional contextual factors that may influence the relationship between human resource practices, inclusion, and performance.

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