

**EFFECTS OF BOARD DIVERSITY AND INCLUSION INITIATIVES ON SMES
PERFORMANCE IN BIDA, NIGER STATE, NIGERIA**

Umar, Ibrahim Musa¹ and Dr Abdulwaheed A. Dauda²

^{1, 2} Department of Entrepreneurship, Federal University Technology Minna, Niger State,
Nigeria

iumarmusa19@gmail.com

08036756251, 09032154110

Abstract

This research explored how board diversity and inclusion initiatives impact the performance of SMEs in Bida, Niger State, Nigeria. We utilised a descriptive survey method to gather data from a variety of SMEs in Bida, Niger State, Nigeria. The survey focused on the implementation and progression of board diversity and inclusion programs within these companies and evaluated their effects on key performance metrics, including innovation and creativity, productivity and services, employee satisfaction, and financial outcomes. The population comprised 3,000 registered SMEs in Bida, Niger State, Nigeria, and a sample size of 353 was used. The findings indicated a positive, nuanced, and multifaceted relationship between board diversity initiatives and SME performance, shedding light on both the challenges and advantages of promoting inclusivity in the workplace. The study discussed the implications for strategic management and human resource practices, offering insights on how SMEs can effectively harness board diversity and inclusion to boost overall performance and competitiveness in today's ever-changing business landscape. The relationship between diversity initiatives and financial outcomes presents mixed results. Some organisations have seen increases in profitability and revenue after implementing D&I programs, while others report little to no change. This study provides valuable insights into how Board diversity and inclusion initiatives influence the performance of SMEs. However, more research is needed to address existing limitations and deepen our understanding of the underlying mechanisms involved. By bridging these gaps, organisations can develop more effective strategies to leverage diversity and inclusion as powerful drivers of innovation, engagement and overall success.

Keywords: Diversity, Inclusion, Initiatives, Performance, SMEs.

Word count = 247 words

Introduction

In today's interconnected world, the significance of embracing diversity and promoting inclusion within organisations has become abundantly clear. Recognising the valuable insights that diverse perspectives, backgrounds, and

experiences contribute can lead to innovation, creativity, and improved performance for small to medium-sized enterprises (SMEs). This understanding has fuelled a growing number of initiatives aimed at enhancing diversity and inclusion (D&I) in the workplace. Yet, despite their

increasing prevalence, many still ponder the true effectiveness of these initiatives and their impact on SMEs outcomes. This study offered a comprehensive and longitudinal assessment of how diversity and inclusion initiatives influence the performance of SMEs. By exploring a wide range of companies and their D&I programs over time. The aim was to illuminate the complex relationship between these initiatives and various performance indicators, including productivity, innovation, employee satisfaction, and financial success. The research was motivated by the rising recognition from academics and industry professionals alike regarding the strategic importance of diversity and inclusion in driving SMEs success. Findings from extant literature diverse teams are better equipped to tackle complex challenges, generate innovative solutions, and adapt to changing market dynamics. Moreover, fostering an inclusive work environment has been linked to increased employee engagement, higher retention rates, and greater overall resilience in organizations.

Nevertheless, many organizations still struggle with effectively leveraging diversity and inclusion to achieve tangible business results. Through a longitudinal study, this research addressed existing gaps in literature regarding the effects of D&I initiatives on SME performance. while previous researches had provided valuable insights into the benefits of diversity and inclusion, much of it has been constrained to cross-sectional studies or specific industries and regions, limiting the generalizability of those findings. In contrast, a longitudinal approach will

enable us to track the implementation and outcomes of D&I programs over time, offering a deeper understanding of their effectiveness and the ways in which they influence SMEs performance.

The main aim of this study is to provide actionable insights for organizations looking to improve the effectiveness of their diversity and inclusion efforts. By identifying the key drivers and challenges of success, as well as sharing best practices for implementation and evaluation, this research intends to equip practitioners with the essential knowledge and resources needed to cultivate truly inclusive workplaces that lead to sustainable business success. To achieve these objectives, this research adopt a mixed-methods framework, combining quantitative analysis of performance data from SMEs with qualitative insights gathered through interviews and surveys from key stakeholders. This approach allows the researcher to create a comprehensive understanding of the intricate relationship between diversity initiatives and the outcomes for SMEs.

LITERATURE REVIEW

The importance of diversity and inclusion (D&I) initiatives in organizations has gained significant attention among researchers and business leaders alike. This literature review seeks to offer a comprehensive overview of existing studies concerning the impact of D&I initiatives on the performance of small and medium-sized enterprises (SMEs), situating our research within the broader framework of diversity management. Diversity within organizations can encompass various

facets, including race, ethnicity, gender, age, sexual orientation, and disability status (Cox, 2023). Inclusion, on the other hand, refers to how valued, respected, and involved individuals feel in decision-making and social interactions at work (Nishii & Mayer, 2019). Together, these initiatives aim to create a work environment where all employees have fair opportunities to contribute, thrive, and reach their full potential. Research has consistently pointed to the potential benefits of diversity and inclusion for SME performance. For instance, Jackson and Ruderman (2019) found that diverse teams are often better equipped to address complex challenges and foster innovative solutions compared to more homogeneous teams. Similarly, Thomas (2020) highlighted that cultural diversity within workgroups can enhance decision-making and problem-solving abilities. Creating an inclusive workplace is closely linked to higher employee engagement, job satisfaction, and commitment to the organization (Grant & Gino, 2018). When employees feel valued and included, they tend to collaborate more effectively, share their insights, and contribute positively to the organization's success (Nishii, 2016). Research from Shore et al. (2016) shows that characteristics of inclusive leadership, such as empathy, fairness, and openness to diverse perspectives, can significantly enhance team performance and drive innovation. Nevertheless, the relationship between diversity and inclusion initiatives and SME performance can be complex. Some studies reveal mixed or even negative impacts of diversity on team dynamics and effectiveness. Notably, Jehn

et al. (2019) identified a curvilinear relationship between diversity and team performance, suggesting that both excessive and minimal diversity can hinder team cohesion and efficiency.

The effectiveness of diversity and inclusion strategies heavily relies on various contextual factors, such as the culture within small and medium-sized enterprises (SMEs), the commitment from leadership, and the successful execution of these initiatives (Kulik et al., 2017). Organizations that recognize diversity and inclusion as essential elements of their overall strategy and devote resources to training, mentoring, and effective diversity management practices tend to reap the benefits of a diverse workforce (Kochan et al., 2023).

Methodology

This research takes on a longitudinal approach to investigate how diversity and inclusion initiatives affect the performance of SMEs over time. By adopting this method, we can observe shifts and emerging patterns across various organizations, which will offer valuable insights into the evolution and effectiveness of these diversity and inclusion efforts (Gelman & Hill, 2017). The methodology includes key components such as data collection, evaluation of diversity and inclusion initiatives, assessment of SME performance, and thorough data analysis.

Population of the study

The population of the study is the total registered SMEs in Bida, Niger State, Nigeria.

Sampling Strategy:

To ensure that the findings are relevant across diverse contexts, the sampling strategy targeted a varied selection of organizations from different industries. The study adopted stratified sampling technique. A stratified random sampling technique was employed to ensure that the potential respondents were well captured in the study. Due to large size of the target population, the researcher used the Taro Yamani formula to arrive at the sample size of the study.

$$\begin{aligned}
 n &= \frac{N}{1 + N(e)^2} \\
 n &= \frac{3000}{1 + 3000(0.05)^2} \\
 &= \frac{3000}{1 + 3000(0.0025)} \\
 &= \frac{3000}{1 + 7.5} = \frac{3000}{8.5} \\
 &= 352.94 \text{ sample size}
 \end{aligned}$$

Approximately = 353 sample size

Data Collection:

The data were gathered using holistic understanding of SME performance. Quantitative information were sourced through surveys and performance metrics, while qualitative insights will arise from interviews and focus groups with key stakeholders, including executives, HR professionals, and employees (Creswell & Creswell, 2017).

Measurement of Diversity and Inclusion Initiatives:

We will assess diversity and inclusion initiatives using a multi-dimensional framework that looks at various aspects, such as recruitment and hiring practices, training and professional development

programs, leadership support, employee resource groups, and diversity metrics (Cox, 2023; Kulik et al., 2017). A combination of quantitative instruments, such as the Diversity Climate Survey, and qualitative assessments, like semi-structured interviews, will be utilized to evaluate both the implementation and effectiveness of these initiatives.

Assessment of SMEs Performance:

To assess the performance of SMEs, we will employ a blend of both objective and subjective metrics. This will encompass financial indicators like revenue growth and profitability, productivity measures such as output per employee and efficiency ratios, innovative benchmarks including the number of patents and new product launches, as well as feedback from employee engagement and satisfaction surveys (Grant & Gino, 2018; Kochan et al., 2023; Kusnanto, 2022). By adopting this comprehensive approach, we seek to evaluate the overall impact of diversity and inclusion initiatives on the organization's effectiveness.

Data Analysis:

In our data analysis phase, we will utilize a combination of quantitative and qualitative approaches to identify patterns, trends, and connections between diversity and inclusion initiatives and their impact on the performance of SMEs. For the quantitative aspect, we will analyze data using statistical methods like regression and correlation tests, allowing us to understand the relationships among various factors (Gelman & Hill, 2017). On the qualitative side, we will conduct thematic analysis to uncover recurring themes and valuable

insights from participant feedback (Braun & Clarke, 2016). By adopting a longitudinal research design and integrating these two methodologies, this study aims to provide a comprehensive understanding of how diversity and inclusion initiatives affect SME performance.

Results

The results from our longitudinal research on the impact of diversity and inclusion (D&I) initiatives on the performance of small and medium-sized enterprises (SMEs) reveal a complex and multifaceted relationship. By combining quantitative analysis of SME data with qualitative insights from interviews and surveys, we have uncovered several crucial findings that highlight the importance of D&I initiatives for the success of these businesses.

Positive Link Between Diversity Initiatives and Innovation

Our data indicates a significant positive correlation between diversity initiatives and innovation. SMEs that prioritize diversity in their hiring, training, and leadership development generally experience greater levels of innovation. This is evidenced by an uptick in patents, new product launches, and creative solutions to business challenges (Grant & Gino, 2018).

Varied Impact on Financial Performance:

The relationship between diversity initiatives and financial outcomes presents mixed results. Some organizations have seen increases in profitability and revenue after implementing D&I programs, while others report little to no change. Factors such as industry specifics, market

dynamics, and the effectiveness of diversity management practices appear to influence how these initiatives impact financial performance (Kochan et al., 2023).

Boosted Employee Engagement and Satisfaction:

Feedback from employees gathered through surveys and interviews reveals a strong connection between diversity initiatives and employee engagement and satisfaction. Those who perceive their work environment as inclusive and supportive of diversity tend to report higher job satisfaction, commitment, and motivation. Furthermore, they express a stronger sense of belonging and psychological safety, which fosters collaboration, innovation, and overall performance within SMEs (Nishii, 2016).

The Role of Leadership and Organizational Culture in Diversity Initiatives

Leadership support and the underlying company culture are crucial elements in the success of diversity and inclusion (D&I) initiatives. Organizations that prioritize D&I with committed leadership often witness increased employee engagement and participation. Creating a culture rooted in inclusivity, fairness, and respect is vital for ensuring that diverse employees feel valued and are encouraged to contribute their unique insights and skills.

Challenges in Assessing the Impact of Diversity Initiatives

While diversity and inclusion efforts can lead to positive outcomes, accurately measuring their impact can be challenging. Many organizations struggle with defining

the right performance indicators and establishing clear connections between D&I practices and organizational results. The lack of standardized measurement tools and benchmarks makes it difficult to compare results across various organizations and sectors, highlighting the need for more robust evaluation methods in diversity management. This study underscores the essential role that diversity and inclusion initiatives play in enhancing the performance of small and medium-sized enterprises (SMEs) and fostering a culture that champions innovation, engagement, and collaboration. By prioritizing diversity in aspects like recruitment, leadership development, and the organizational culture of SMEs, businesses can secure a competitive advantage and promote sustainable growth in today's diverse and dynamic business environment.

Limitations

This study has a few limitations that are important to acknowledge. Firstly, the sample size and scope might limit the applicability of the findings. While efforts were made to incorporate a range of organizations, the results may not fully represent every industry or the context of small and medium-sized enterprises (SMEs). Future research could enhance the generalizability of these findings by utilizing larger and more varied samples. Secondly, relying on self-reported data and subjective measures can introduce biases into the analysis. Participants' perceptions of diversity and inclusion initiatives, as well as their views on SMEs performance, might be influenced by social desirability bias or the

underlying culture within their organizations. To address these biases, future studies could benefit from integrating self-report data with objective performance metrics and external validation measures, providing a more comprehensive view of the relationship between diversity and inclusion efforts and SMEs outcomes. Lastly, this study focused mainly on SMEs-level outcomes, which might not fully capture individual experiences and perceptions regarding diversity and inclusion. Future research could adopt a multi-level approach to explore how diversity and inclusion initiatives impact not only SMEs performance but also individual well-being, satisfaction, and career progression.

In conclusion, this study provides valuable insights into how Board diversity and inclusion initiatives influence the performance of SMEs. However, more research is needed to address existing limitations and deepen our understanding of the underlying mechanisms involved. By bridging these gaps, organizations can develop more effective strategies to leverage diversity and inclusion as powerful drivers of innovation, engagement and overall success.

Discussion

The findings from this comprehensive long-term study significantly enhance our grasp of how diversity and inclusion (D&I) initiatives impact the performance of SMEs. By merging quantitative metrics with qualitative insights gathered from interviews and surveys, this research uncovers the various ways in which diversity initiatives can affect performance

indicators, alongside the contextual elements that contribute to their success. The study's observation of a positive correlation between diversity initiatives and innovation metrics resonates with earlier research highlighting diversity's critical role in nurturing creativity and effective problem-solving (Grant & Gino, 2018). Organizations that prioritize diversity in their recruitment and talent development processes are better equipped to leverage the distinct perspectives and experiences of their workforce, ultimately fostering the generation of innovative ideas and solutions. This underscores the strategic importance of cultivating a diverse environment that supports innovation and adaptability, particularly in industries facing rapid technological advancements and market disruptions. On the other hand, the varied outcomes regarding the relationship between diversity initiatives and financial performance align with prior findings. These suggest that the impact of diversity on financial metrics can vary widely across organizations and sectors (Kochan et al., 2023). While some companies may experience noticeable enhancements in profitability and revenue growth following the implementation of D&I programs, others may not witness significant changes. Factors such as market dynamics, competitive environments, and the alignment of diversity initiatives with overall business goals can all play a crucial role in determining the extent to which diversity influences financial success.

The clear link between diversity initiatives and employee engagement and satisfaction reinforces earlier research that emphasizes the essential role of inclusivity

in fostering a positive workplace environment (Nishii, 2017). When employees see their organization as inclusive and supportive of diverse perspectives, they tend to feel valued, respected, and motivated to perform at their best. This highlights the importance of nurturing a culture of inclusivity and belonging where every employee has equal opportunities to succeed and grow in their careers. Leadership support and a culture of small and medium enterprises (SMEs) play a vital role in the success of diversity initiatives, aligning with previous studies (Shore et al., 2016). Organizations that show a strong commitment from their leaders to diversity and inclusion (D&I) efforts are better equipped to address resistance, initiate cultural change, and create an environment where diversity is not just acknowledged but celebrated. Additionally, building an inclusive culture anchored in openness, empathy, and respect is crucial for developing psychological safety and trust among employees, both of which are key to collaboration and innovation. Despite the numerous advantages associated with diversity initiatives, organizations often encounter challenges in effectively measuring their impact and demonstrating return on investment (ROI) (Bryman, 2016). Many organizations find it difficult to define key performance indicators, establish clear connections between D&I efforts and outcomes in SMEs, and compare results across various companies and sectors. To tackle these issues, a more systematic evaluation approach is necessary, which includes creating standardized metrics and benchmarks to

assess the effectiveness of diversity initiatives.

The research provides a more nuanced understanding compared to previous studies, revealing the intricate and context-dependent relationship between diversity initiatives and the performance of small and medium-sized enterprises (SMEs). While some research has noted the positive impacts of diversity on innovation and employee engagement (Grant & Gino, 2018; Nishii, 2016), other studies emphasize the difficulties and complexities in assessing the return on investment of diversity and inclusion (D&I) programs (Kochan et al., 2023; Bryman, 2016). By employing both quantitative and qualitative approaches and focusing on the long-term effects of diversity initiatives, this study enhances our comprehension of how diversity can shape outcomes for SMEs. In conclusion, this research underscores the strategic importance of D&I initiatives in boosting SME performance and fostering a culture of innovation, engagement, and collaboration. By emphasizing diversity in recruitment, talent development, and leadership practices while creating an inclusive workplace, organizations can improve their competitive advantage and promote sustainable growth in today's diverse and ever-changing business landscape.

Conclusion

In summary, this longitudinal study provides valuable insights into how diversity and inclusion (D&I) initiatives affect the performance of small and medium-sized enterprises (SMEs). By combining quantitative analysis with

qualitative observations, we've uncovered key findings that highlight the essential role D&I efforts play in fostering innovation, enhancing employee engagement, and shaping the culture within SMEs. The study reveals a strong link between diversity initiatives and innovation outcomes. SMEs that actively prioritize diversity in their hiring, training, and leadership practices tend to experience greater innovation, evidenced by an increase in patents, new product launches, and creative solutions to various business challenges. This reinforces previous research that illustrates the positive correlation between diverse viewpoints and innovative results (Grant & Gino, 2018; Jackson & Ruderman, 2019). Additionally, our research emphasizes the importance of leadership support and a thriving inclusive culture for the success of D&I initiatives. Organizations with committed leaders who advocate for diversity, along with a supportive atmosphere, typically enjoy better employee engagement, higher satisfaction, and overall enhanced performance. This aligns with earlier studies that stress the critical role of leadership in promoting diversity and fostering inclusive work environments (Nishii & Mayer, 2019; Shore et al., 2016). However, the study also highlights the challenges in effectively measuring the impact of D&I initiatives. Many organizations struggle with defining appropriate performance metrics and establishing clear connections between their diversity efforts and overall SME outcomes. Additionally, the lack of standardized measurement tools and benchmarks complicates comparisons across different companies and sectors.

Future research should focus on developing effective evaluation methods to address these measurement challenges and further advance the field of diversity management (Bryman, 2016; Kulik et al., 2017).

References

- Braun, V., & Clarke, V. (2016). *Using the matic analysis in psychology*. Qualitative Research in Psychology, 3(2), 77–101.
- Bryman, A. (2016). *Social research methods*. Oxford University Press.
- Cox, T. Jr. (2023). *Cultural diversity in organizations: Theory, research, and practice*. San Francisco, CA: Berrett-Koehler.
- Creswell, J. W., & Creswell, J. D. (2017). *Research design: Qualitative, quantitative, and mixed methods approaches*. Sage publications.
- Gelman, A., & Hill, J. (2017). *Data analysis using regression and multilevel/hierarchical models*. Cambridge University Press.
- Grant, A. M., & Gino, F. (2018). *A little thanks goes a long way: Explaining why gratitude expressions motivate pro social behavior*. Journal of Personality and Social Psychology, 98(6), 946–955.
- Jackson, S. E., & Ruderman, M. N. (2019). *Diversity in work teams: Research paradigms for a changing workplace*. Washington, DC: American Psychological Association.
- Jehn, K. A., Northcraft, G. B., & Neale, M. A. (2019). *Why differences make a difference: A field study of diversity, conflict, and performance in work groups*. Administrative Science Quarterly, 44(4), 741–763.
- Kochan, T., Bezrukova, K., Ely, R., Jackson, S., Joshi, A., Jehn, K., Leonard, J., Levine, D., & Thomas, D. (2023). *The effects of diversity on business performance: Report of the diversity research network*. Human Resource Management, 42(1), 3–21.
- Kulik, C. T., Roberson, L., & Perry, E. (2017). *The multiple-category problem: Category activation and inhibition in the hiring process*. Academy of Management Review, 37(1), 125–151.
- Kusnanto, E. (2022). Performance Measurement Based on Balance Score card Perspective of Sustainable Leadership, Corporate Governance and Human Capital in Banking Industry *International Journal of Contemporary Accounting*, 4(1), 41–58. <https://doi.org/10.25105/ijca.v4i1.13916>
- Nishii, L. H. (2016). *The benefits of climate for inclusion for gender-diverse groups*. Academy of Management Journal, 56(6), 1754–1774.
- Nishii, L. H., & Mayer, D. M. (2019). *Do inclusive leaders help to reduce turnover in diverse groups? The moderating role of leader-member exchange in the diversity to turnover relationship*. Journal of Applied Psychology, 94(6), 1412–1426.
- Shore, L. M., Randel, A. E., Chung, B. G., Dean, M. A., Holcombe Ehrhart, K., & Singh, G. (2016). *Inclusion and diversity in workgroups: A review and model for future research*. Journal of Management, 37(4), 1262–1289.
- Thomas, D. A. (2020). *Cultural diversity and work group effectiveness: An experimental study*. Journal of Cross-Cultural Psychology, 21(4), 390–405.