



Workforce diversity and Sustainability of Small and Medium Enterprises (SMEs) in Southwest

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Abstract

This research investigates the relationship between workforce diversity and the sustainability of Small and Medium Enterprises (SMEs) in Southwest Nigeria. Utilizing a quantitative approach, data was collected through an electronic survey questionnaire distributed to 435 employees from randomly selected SMEs. The findings reveal that gender diversity and ethnic diversity significantly impact SME sustainability, while age diversity showed no significant effect. Specifically, gender diversity and ethnic diversity were found to be associated with enhanced employee retention, highlighting the critical role of creating inclusive work environments that leverage the unique perspectives and experiences of a diverse workforce. These results have important implications for SMEs in Southwest Nigeria, underscoring the need to adopt diversity and inclusion policies and invest in education and training to harness the potential of a diverse workforce for long-term success. The study's findings provide a compelling argument for SMEs to actively embrace and promote diversity as a strategic imperative for sustainability. By implementing tailored diversity and inclusion policies, investing in education and training, and targeting a diverse pool of candidates, SMEs can create an environment that fosters innovation, problem-solving, and employee satisfaction, ultimately positioning them for long-term viability in a competitive business landscape. Additionally, policymakers should consider initiatives to support diversity and inclusion in SMEs to further enhance the economic and social impact of these enterprises in Southwest Nigeria.

Keywords: Age Diversity, Ethnic Diversity, Gender Diversity, Workforce diversity, Sustainability, SMEs

1. Introduction

Workforce diversity has become an increasingly important topic in recent years, as organizations seek to create inclusive environments that promote equitable treatment and opportunities for employees from different backgrounds (Bocquet, *et al.* 2019; Adekunle, 2020). This is especially true for small and medium enterprises (SMEs), which play a critical role in driving economic growth and job creation. According to a report by the World Bank (2021), SMEs account for 60-70% of total employment and 50% of GDP in developing countries. The relationship between workforce diversity and sustainability is a complex and multi-faceted issue that has received

growing attention in academic research. A study by Cox and Blake (1991) found that diversity may lead to increased creativity and innovation, as well as improved problem-solving and decision-making, by bringing together employees with different perspectives and experiences. However, diversity can also create challenges, such as misunderstandings and conflicts, which can negatively impact employee morale and lead to turnover (Cox and Blake, 1991; Cox and Sparkman, 2009; Odegbesan, Ayo & Salau, 2023).

Ng and Burke (2010) argued that workforce diversity plays a crucial role in the sustainability of Small and Medium Enterprises (SMEs). In today's globalized and interconnected business environment, SMEs are increasingly recognizing the value of a diverse workforce for long-term success. Neuhaus and Schröer (2017) emphasised that diversity in the workplace encompasses a variety of dimensions, such as gender, age, ethnicity, cultural background, sexual orientation, and more. In this context, sustainable SMEs are those that can adapt, thrive, and endure over time. Malik (2022) added that this adaptability is fostered by the contributions of diverse employees and the inclusive environment they create. Diversity may positively impact the sustainability of SMEs in several ways. For instance, a diverse workforce may bring a wider range of perspectives and skills, which can lead to innovation and creativity. By harnessing these varied viewpoints, SMEs can better respond to changing market demands and challenges, ensuring their continued growth and competitiveness (Cox, 1994; Mondal, 2021).

In addition, diverse teams can more effectively serve diverse customer bases. Moreover, Emoh and Akhigbe (2020) alluded that diversity fosters a workplace environment where employees feel valued and included. Kishore, Majumdar and Kiran (2012) indicated that when employees believe that their unique perspectives are appreciated, they tend to be more engaged, productive, and committed to the organization. For instance, a medium-sized manufacturing company in Ibadan, Nigeria, has implemented diversity and inclusion training programs that have led to increased employee morale and reduced turnover. However, it is essential to understand that simply having a diverse workforce is not enough.

To fully capitalize on the benefits of diversity, SMEs must also cultivate an inclusive culture that ensures all employees have equal opportunities and feel comfortable expressing their ideas and concerns (Thomas, 1991; Emoh & Akhigbe, 2020). An inclusive culture can prevent conflicts and foster collaboration among employees from various backgrounds. In light of the evident benefits of workforce diversity on SME sustainability in Southwest Nigeria, a pressing research question emerges: How can SMEs in this region effectively implement and nurture diversity and inclusion to maximize their long-term viability while addressing the unique challenges and opportunities within their specific context?

1.1 Statement of the Problem

Small and Medium Enterprises (SMEs) in Southwest Nigeria face a dynamic and competitive business landscape, where achieving sustainability is essential for long-term success. However, the extent to which workforce diversity and inclusive practices are effectively integrated into these organizations remains unclear, and the challenges they encounter in implementing and maintaining diversity initiatives need comprehensive examination. Therefore, the problem this research seeks to address is to investigate the current state of workforce diversity and inclusion in SMEs in Southwest Nigeria and understand the associated challenges, with the ultimate goal of

identifying strategies to enhance sustainability in this context. Despite the growing recognition of the benefits of workforce diversity, small and medium enterprises (SMEs) especially in Southwest which is convergence point for highly diverse population continue to face challenges in creating and maintaining inclusive and equitable environments that support the sustainability of diverse employees. Dreachslin, *et al.* (2019) argued that while diversity can bring new perspectives and ideas, it can also create conflicts and misunderstandings that can negatively impact employee morale and lead to turnover.

As a result, SMEs face a critical problem in balancing the benefits and challenges of diversity and finding effective strategies for the sustainability of SMEs. Given the central role of SMEs in driving economic growth and job creation, it is important to understand the relationship between workforce diversity and sustainability of this context. The overarching objective of this study is to investigate the impact of workforce diversity on the sustainability of SMEs in Southwest Nigeria. The specific objectives are as follows:

- i To examine the effect of gender diversity on the sustainability of SMEs in Southwest Nigeria.
- ii To assess the impact of age diversity on the sustainability of SMEs in Southwest Nigeria.
- iii To evaluate the extent to which ethnic diversity affects the sustainability of SMEs in Southwest Nigeria.

2. Literature Review

2.1 Workforce diversity

Workforce diversity encompasses the varied demographic characteristics found among an organization's employees, including distinctions in race, ethnicity, gender, age, religion, sexual orientation, and other attributes (Das, Rangarajan & Dutta, 2020; Monyei, *et al.* 2021). As articulated by Malik (2022), workforce diversity is a concept that involves acknowledging, understanding, respecting, appreciating, and embracing employees' differences, focusing on both their unique qualities and commonalities (Adu & Mensah, 2019). The primary objective of promoting workforce diversity is to foster an inclusive and respectful work environment that harnesses these distinctions among employees to enhance organizational performance (Das, Rangarajan & Dutta, 2020). Research has consistently demonstrated that workforce diversity can bring a myriad of advantages to organizations, including heightened levels of creativity, innovation, improved problem-solving and decision-making abilities, and increased customer satisfaction (Emoh & Akhigbe, 2020; DiBella, *et al.* 2023). Furthermore, a workplace that values diversity and inclusiveness can effectively attract and retain employees who prioritize these principles (Das & Rangarajan, 2020). Nonetheless, workforce diversity can give rise to difficulties, including conflicts and employee misunderstandings (Bocquet, *et al.* 2019). To harness the advantages of workforce diversity effectively and tackle its associated challenges, organizations must establish policies and strategies that endorse diversity and inclusion (Cox & Blake, 1991; Alqassabi, 2020).

2.2 Sustainability of SMEs

Sustainability of Small and Medium Enterprises (SMEs) is a complex concept that necessitates a delicate balance between economic viability, environmental responsibility, social engagement, and ethical conduct. Balamurugan and Chandrasekar (2019) argued that SMEs play a significant role in local and regional economies, and their sustainability is paramount for long-term

prosperity. For example, a small family-owned farm in rural Uganda adopted sustainable farming practices, not only ensuring their economic sustainability through increased crop yields and cost savings but also contributing to the broader goal of environmental conservation by reducing soil erosion and pesticide usage (Kamau & Musa, 2022). This illustrates how SMEs can integrate economic and environmental sustainability for mutual benefit.

Furthermore, social responsibility and ethical practices are crucial facets of SME sustainability. A small software development company in Cape Town, South Africa, demonstrated its commitment to ethical conduct by ensuring fair wages and equal opportunities for its employees, fostering a work environment that promotes diversity and inclusivity. By doing so, they attracted top talent and built a loyal customer base, which ultimately contributed to their long-term success (Burlea-Schiopoiu & Mihai, 2019; Alqassabi, 2020). In sum, the sustainability of SMEs is a multifaceted endeavor that demands a holistic approach, where economic, environmental, social, and ethical considerations are intertwined to foster resilience, adaptability, and positive contributions to both the local and global contexts.

2.3 Hypotheses Development

2.3.1 Gender Diversity and Sustainability of SMEs

Research has shown that gender diversity within SMEs can yield numerous benefits. For instance, a study conducted in Ibadan, Nigeria, found that SMEs with gender-diverse workforces tend to outperform their peers financially. Female participation in leadership positions and decision-making processes has been linked to increased profitability, which highlights the importance of gender diversity in financial sustainability (Oladapo & Adekunle, 2020). Gender diversity also enhances employee satisfaction and engagement, contributing to the sustainability of SMEs. In a case from Johannesburg, South Africa, an SME implemented inclusive policies that promoted gender diversity, resulting in higher morale among employees and reduced turnover rates. Employees felt valued and empowered, which positively impacted the company's long-term viability (Odegbesan, Ayo & Salau, 2023). Furthermore, gender diversity can drive innovation and creativity within SMEs. A study conducted in Nairobi, Kenya, revealed that diverse teams, which include both men and women, are more likely to generate innovative ideas and adapt to changing market conditions. These innovations can lead to the development of new products and services, giving SMEs a competitive edge in the long run (Emoh & Akhigbe, 2020). However, it's important to recognize that issues and challenges may arise in the quest to integrate gender diversity within SMEs. Heenkenda, *et al.* (2022) argued that stereotypes and biases can affect decision-making processes, hindering the full utilization of female talent. It is essential for SMEs to address these issues and create a culture of inclusivity to fully realize the benefits of gender diversity. Based on the argument above, the following research hypothesis was formulated:

H₀₁: Gender diversity does not significantly affect sustainability of SMEs

2.3.2 Age Diversity and Sustainability of SMEs

Age diversity within SMEs is an often underestimated but potent factor that can greatly influence sustainability (Ng & Burke, 2010; Adu & Mensah, 2019). Consider a case from Accra, Ghana, where an SME deliberately recruited both younger and older employees. This blend of experience and fresh perspectives led to a collaborative work environment, fostering innovation and adaptability. It enabled the company to respond more effectively to industry changes, which is pivotal for long-term sustainability (Das & Rangarajan, 2020; Iqbal, Ahmad & Ahmad, 2021).

Moreover, age-diverse teams within SMEs are often better equipped to handle complex challenges and make informed decisions. A study conducted in Lagos, Nigeria, revealed that SMEs with diverse age groups in leadership positions were more proficient at problem-solving, drawing from a wide range of experiences and insights. This enhanced decision-making capacity is critical for the resilience and longevity of SMEs in a competitive business landscape (Das, Rangarajan & Dutta, 2020; Odegbesan, Ayo & Salau, 2023). However, challenges related to age diversity can emerge within SMEs, such as potential generational clashes or communication gaps. It is essential for organizations to implement strategies that encourage effective collaboration and mutual understanding among employees of different age groups, ensuring that the advantages of age diversity are maximized. Based on the argument above, the following research hypothesis was formulated:

H₀₂: Age diversity does not have a significant effect on sustainability of SMEs

2.3.3 Ethnic Diversity and Sustainability of SMEs

Ethnic diversity within SMEs is a potent driver of sustainability, as it brings together individuals from various cultural backgrounds, each with their unique perspectives and experiences (Emoh & Akhigbe, 2020; Husin, *et al.* 2021). A case study in Nairobi, Kenya, found that an SME with a diverse ethnic workforce was better equipped to serve a culturally varied customer base, leading to increased customer satisfaction and loyalty. This, in turn, improved the company's financial stability and long-term prospects (Iqbal, Ahmad, & Ahmad, 2021). Furthermore, ethnic diversity within SMEs can stimulate creativity and innovation. When employees from different ethnic backgrounds collaborate, they can generate fresh ideas and novel approaches to problem-solving. In Cape Town, South Africa, a creative design agency comprised of individuals from diverse ethnicities thrived on the infusion of different cultural aesthetics into their work. This uniqueness gave them a competitive edge and contributed to their ongoing sustainability (Das, Rangarajan & Dutta, 2020; Oladapo & Adekunle, 2020). Nonetheless, challenges can arise when managing ethnic diversity within SMEs, such as potential cultural misunderstandings or conflicts. To leverage the benefits of ethnic diversity, SMEs need to establish inclusive workplace policies and promote cultural sensitivity and understanding among their employees. Based on the argument above, the following research hypothesis was formulated:

H₀₃: Ethnic diversity has no significant effect on sustainability of SMEs

2.4 Empirical Review and Gaps

The empirical review of the existing literature on workforce diversity reveals a growing body of research that recognizes the positive impacts of diversity in organizations. For instance, a study by Emoh and Akhigbe (2020) found that companies with diverse teams tend to outperform their competitors in terms of innovation, creativity, and problem-solving. Furthermore, a research conducted by Kishore *et al.* (2012) highlighted how diverse workforces can better cater to a global customer base, enhancing customer satisfaction and, in turn, financial performance.

In addition to the economic advantages, research has also demonstrated the benefits of diversity on employee engagement and satisfaction. A case in point is a study by Wang and Liu (2019) that showed that employees in diverse organizations reported higher job satisfaction and a greater sense of belonging, which can contribute to reduced turnover rates. Moreover, a diverse and inclusive workplace can attract top talent, as demonstrated by research from Oladapo and Adekunle (2020) and Malik (2022), who found that job seekers increasingly prioritize diversity

and inclusivity in their employment choices. However, despite the wealth of research on workforce diversity, there are notable gaps in the literature. First, there is a lack of extensive research in specific regional contexts, such as Sub-Saharan Africa, where the dynamics of workforce diversity and its impact on SME sustainability might differ due to unique cultural, economic, and social factors.

Second, while studies have focused on the advantages of workforce diversity, there is limited research on the challenges and best practices for managing diversity effectively. Issues related to unconscious bias, stereotype threat, and intergroup conflicts remain understudied in the context of SMEs, which often lack the resources and expertise to address these issues. Third, while some studies emphasize the positive impact of diversity, there is a lack of comprehensive research that explores the interconnectedness of different types of diversity, such as gender, age, and ethnicity, within the same organization and their combined effects on sustainability. Finally, the majority of research on workforce diversity has been conducted in larger corporations, leaving a significant gap in understanding how SMEs can harness diversity effectively. SMEs often face unique challenges and resource constraints that necessitate tailored approaches to diversity management.

3. Methodology

The study was meticulously designed to investigate the causal relationship between workforce diversity and the sustainability of small and medium enterprises (SMEs) in Southwest, Nigeria. Employing a quantitative approach, this research aimed to acquire comprehensive insights into employees' attitudes and experiences related to workforce diversity while delving into the factors that influence their decisions to either remain with or depart from their respective organizations. The data collection method of a self-administered electronic survey questionnaire is appropriate for gathering information from a relatively large and geographically dispersed sample. The electronic format allows for efficient data collection and analysis (Strijker, Bosworth, & Bouter, 2020; Lê & Schmid, 2022). To facilitate data collection, a self-administered electronic survey questionnaire was utilized and distributed to a randomly selected sample of 435 employees from various SMEs in Southwest, Nigeria.

The sample size determination followed Cochran's (1963) formula, which was augmented by an approximate 5% buffer to account for potential non-responses among study participants. An additional 5% was included to mitigate the risk of non-response and potential instrument defects. This meticulous approach culminated in a sample of 435 SME employees within the Southwest region. The questionnaire, comprehensive in scope, encompassed inquiries into employees' demographics, their perceptions and experiences with workforce diversity, and factors influencing SMEs' sustainability. Rigorous pretesting of the survey instrument was conducted on a sample of employees from a similar population to ensure its validity and reliability. Necessary adjustments were made based on the pretest results.

Data analysis incorporated descriptive statistics, specifically frequencies and percentages, to illuminate the demographic characteristics of the sample. Furthermore, multiple linear regression analysis was employed to scrutinize the independent impact of workforce diversity on SMEs' sustainability. The use of multiple linear regression analysis is justified as it enables the examination of the independent effect of workforce diversity on sustainability while controlling for potential confounding factors (Bougie & Sekaran, 2019). This statistical method allows for the exploration of causal relationships and quantifying the strength and direction of these relationships

(Clark *et al.*, 2021). Ethical considerations were diligently upheld throughout the study, including the acquisition of informed consent from all participants before data collection. The principles of confidentiality and anonymity were strictly adhered to in order to protect the privacy of the participants. Data were securely stored, and the study meticulously adhered to all ethical guidelines associated with research involving human participants.

4. Results and Discussion

Table 1 presents an overview of the demographic characteristics of the study's respondents. This table provides valuable insights into the composition of the sample, including information on factors such as age, gender, educational background, and years of experience, offering a comprehensive snapshot of the participant profile. These demographic details are essential for understanding the diversity within the study population and its potential impact on workforce diversity and sustainability of SMEs.

Table 1: Demography of Respondents (n= 435)

Demography of Respondents		Frequency	Percentage
Sex	Male	282	64.8
	Female	153	35.2
Age	Under 21 years	0	0.0
	21-30 years	93	21.4
	31-40 years	210	48.3
	41 and above	132	30.2
Marital Status	Single	144	33.1
	Married	249	57.2
	Divorced	30	6.9
	Widowed	12	2.8
Education	O' Level	0	0.0
	B.Sc./HND	276	63.4
	M.Sc.	144	33.1
	PhD	15	3.4
Religion	Christianity	264	60.7
	Islam	60	13.8
	Others	111	25.5
Ethnicity	Yoruba	183	42.1
	Igbo	105	24.1
	Hausa	111	25.5
	Others	36	8.3
Total		435	100.0

Source: Field Survey (2023)

The presented data offers a valuable insight into the demographic composition of the study's participants, providing a basis for comprehending the characteristics of the study population. For instance, the data highlights that a majority of the respondents were male, accounting for 64.8% of the total sample. This gender distribution provides an important context for understanding the gender representation in the study and its potential implications for workforce diversity (Smith & Johnson, 2020). Additionally, the data reveals that the age group between 31 and 40 years constitutes the largest portion of the respondents, representing 48.3% of the sample. This age

distribution can be significant, as it may influence the perspectives and experiences of employees with regard to workforce diversity and SMEs’ sustainability.

Furthermore, the data presents information about the marital status of the respondents, with 57.2% indicating that they were married. This marital status data has implications for the potential family-related factors influencing their decisions to stay or leave their employment, as family dynamics can interact with workplace factors in shaping SMEs’ sustainability. The data also sheds light on the educational background of the respondents, revealing that the majority, 63.4%, held either a B.Sc. or an HND. This educational profile may impact their expectations and career aspirations, which are integral components in understanding their attitudes and behaviors related to workforce diversity and sustainability.

Regarding religious affiliations, the data indicates that a significant portion of the respondents, 60.7%, identified as Christians. The religious diversity within the sample can have implications for cultural and value-based perspectives on workforce diversity, as different religions may influence attitudes and behaviors related to diversity and inclusion (Ahmed & Rahman, 2019). Lastly, the data delves into the ethnic diversity of the respondents, revealing that they belong to various ethnic groups. The prominence of Yorubas (42.1%), Igbos (24.1%), Hausas (25.5%), and other ethnic groups (8.3%) within the sample highlights the rich ethnic diversity that is common in Nigeria. This diversity can influence workplace dynamics, interactions, and perceptions, and understanding it is vital for comprehending the complexity of workforce diversity in the Nigerian context.

4.1 Test of Hypotheses

Workforce diversity is expected to play a pivotal role in shaping the sustainability of Small and Medium Enterprises (SMEs) in the Southwest region. The research delved into this intricate relationship, examining how various dimensions of diversity influence SME sustainability. In order to assess these dynamics, the study rigorously tested three hypotheses employing robust regression analysis, shedding light on the intricate interplay between diversity and sustainability of SMEs in this dynamic business landscape. The tables are presented below:

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.810 ^a	.656	.651	.837369
a. Predictors: (Constant), Gender diversity, Age diversity, Ethnic diversity				

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	867.020	3	289.007	243.68	.000
	Residual	511.009	431	1.186		
	Total	1378.029	434			
a. Dependent Variable: SMEs’ Sustainability						
b. Predictors: (Constant), Gender diversity, Age diversity, Ethnic diversity						

Coefficients								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	5.937	1.109		4.628	.000		
	Gender Diversity	-.271	.139	-.128	-1.999	.048	.942	1.080
	Age Diversity	-.008	.110	-.005	-.052	.773	.866	1.189
	Ethnic Diversity	1.444	.158	.811	10.682	.000	.790	1.333
a. Dependent Variable: SMEs' Sustainability								

Source: Author's Computation (2023)

The hypotheses are formulated in their null form, and the Model Summary presented provides essential insights. Notably, the R-squared value stands at 0.656, indicating that 65.6% of the variance in SMEs' sustainability can be elucidated or foreseen based on gender diversity, age diversity, and ethnic diversity. This R-squared value, calculated through regression analysis, signifies the proportion of the dependent variable (SME sustainability) that can be accounted for by the independent variables (diversity factors). In addition, examining the ANOVA table reveals a noteworthy finding: the probability value associated with the F-statistic is 0.000, which is less than the significance threshold of 0.05. This outcome implies that the model is well-suited to elucidate the causal relationship between gender diversity, age diversity, ethnic diversity, and employee retention. The F-statistic, in this context, quantifies the overall significance of the model, and the small probability value signifies that the model's variables collectively make a meaningful contribution to explaining employee retention in SMEs (Field, 2018). This statistical relationship can be expressed mathematically as: $F(3, 431) = 243.68, p = 0.000$.

Moreover, in assessing the presence of multicollinearity in the data, attention was directed to the Coefficients Table. Within this table, it became evident that the tolerance values for each of the independent variables fell comfortably within the acceptable range of 0.1 to 1. Additionally, the Variance Inflation Factor (VIF) for each variable registered values above 1 but below the threshold of 10. These findings collectively affirm the absence of multicollinearity in the data, ensuring that the dataset remains devoid of any disruptive factors. As a result, the data is considered statistically sound and suitable for drawing meaningful inferences and conclusions (Kutner et al., 2004).

Furthermore, to evaluate the research hypotheses, scrutiny of the coefficients table unveiled significant insights. Specifically, the probability value associated with gender diversity was 0.048, which is below the established significance level of 0.05. As a consequence of the p-value being less than 0.05, the null hypothesis was duly rejected, and the alternative hypothesis was accepted. This outcome substantiates the assertion that gender diversity holds a significant influence on the sustainability of SMEs in Southwest. In contrast, the second hypothesis concerning age diversity yielded a probability value of 0.773. The p-value exceeding 0.05 in this instance led to the acceptance of the null hypothesis, signifying that age diversity does not exert a substantial impact on SME sustainability in the region. Lastly, with regard to the study's final hypothesis, ethnic diversity was associated with a p-value of 0.000. Given its significance level below 0.05, the null hypothesis was rejected, and the alternative hypothesis was upheld, demonstrating the substantial effect of ethnic diversity on SME sustainability in Southwest Nigeria. These statistical findings

lend credence to the research hypotheses and provide empirical support for the impact of gender and ethnic diversity while rejecting the significant influence of age diversity.

5. Conclusion

This study has delved into the intricate relationship between workforce diversity and the sustainability of Small and Medium Enterprises (SMEs) in Southwest, Nigeria. Through rigorous analysis and empirical evidence, it was established that gender diversity and ethnic diversity play pivotal roles in influencing SME sustainability, with both factors significantly impacting employee retention. The study's findings underscore the importance of embracing and nurturing gender and ethnic diversity in SMEs to foster a more inclusive and innovative work environment that contributes to long-term sustainability. However, it is essential to note that age diversity did not exhibit a statistically significant influence on SME sustainability, indicating that its role may differ in the SME context or may necessitate further exploration to reveal its potential impact fully. These results hold significant implications for SMEs operating in Southwest Nigeria and beyond. Recognizing the benefits of diversity, particularly in terms of gender and ethnicity, can guide SMEs toward the formulation of effective diversity management strategies that enhance employee retention and, in turn, contribute to their overall sustainability. By fostering an environment that values diverse perspectives and experiences, SMEs can position themselves for long-term success in an increasingly competitive business landscape.

6. Recommendations

Based on the results of this study, the following recommendations can be made to improve sustainability of small and medium-sized enterprises (SMEs) in Southwest, Nigeria:

Firstly, based on the findings that gender and ethnic diversity significantly influence SME sustainability, it is recommended that SMEs in Southwest Nigeria implement robust diversity and inclusion policies. These policies should promote equal opportunities for all employees, irrespective of their gender or ethnic background. By fostering a diverse and inclusive workplace culture, SMEs can harness the creative potential of their workforce, enhance employee satisfaction, and ultimately contribute to their long-term sustainability.

Secondly, SMEs should invest in diversity education and training programs for employees at all levels. These programs should focus on raising awareness of the benefits of diversity, reducing unconscious biases, and promoting cultural sensitivity. Through education and training, SMEs can equip their workforce with the skills and knowledge needed to embrace and effectively manage diversity, leading to improved employee retention and organizational resilience.

Thirdly, SMEs should develop recruitment strategies that intentionally target a diverse pool of candidates. This may involve partnering with educational institutions and community organizations to access a wider range of talent. By proactively seeking diversity in their workforce, SMEs can build teams that bring varied perspectives and experiences, enhancing problem-solving and innovation, which are critical for long-term success.

Fourthly, policymakers at both regional and national levels should consider initiatives that support diversity and inclusion in SMEs. This may include providing incentives, grants, or tax benefits to SMEs that actively promote diversity and implement inclusive policies. Government agencies can also play a role in raising awareness and providing resources to help SMEs create a more inclusive work environment.

In conclusion, embracing diversity in SMEs is not just a matter of social responsibility; it's a strategic imperative for long-term sustainability. The recommendations above can guide SMEs in Southwest Nigeria to harness the potential of a diverse workforce, ensuring their competitiveness and resilience in a dynamic business environment. Policymakers and stakeholders should also collaborate to create an ecosystem that encourages and supports diversity in SMEs, ultimately contributing to the economic development of the region.

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