

## WORKFORCE DIVERSITY AND ITS OPERATIONAL IMPACTS ON SMES IN NORTH-EAST ODISHA

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### ABSTARCT:

This study investigates the operational impacts of workforce diversity within small and medium-sized enterprises (SMEs) in North-East Odisha, a region characterized by its diverse cultural and economic landscape. Recent literature underscores the potential of diverse teams to enhance innovation and decision-making processes, yet SMEs in emerging markets often encounter unique challenges that may complicate these benefits. This paper aims to explore how these dynamics manifest in the context of North-East Odisha, seeking to identify specific operational outcomes linked to workforce diversity.

**Methodology:** Employing a structured equation modeling approach, this research utilizes data collected from 250 respondents through purposive sampling. The sample includes a mix of owners, managers, and employees from various SMEs across North-East Odisha. Variables measured include demographic diversity (age, gender, ethnicity), perceived team effectiveness, innovation rates, and financial performance. The analysis aims to untangle the relationships between these variables, providing a nuanced understanding of how diversity impacts operational outcomes.

**Results:** Preliminary analysis reveals a complex relationship between workforce diversity and operational effectiveness among SMEs in the region. While some degree of diversity correlates positively with innovation and team effectiveness, excessive heterogeneity appears to impede communication and operational efficiency. Financial performance indicators show varied results, suggesting that the benefits of diversity might depend on specific contextual factors like industry type and enterprise size.

**Conclusion:** The findings suggest that workforce diversity has a multifaceted impact on the operations of SMEs in North-East Odisha. While diversity fosters innovation and can enhance team effectiveness, there is a threshold beyond which it may start to hinder operational performance. These insights underscore the need for SMEs to adopt tailored diversity management strategies that recognize the specific socio-economic conditions of North-East Odisha. Future research should explore longitudinal data to better understand the long-term effects of diversity on SME performance in the region.

**Keywords:** Workforce, diversity, operations, SEM's, Odisha

## INTRODUCTION:

Small and medium-sized enterprises (SMEs) are pivotal to the economic landscape of North-East Odisha, playing a crucial role in employment generation and the overall economic development of the region. This part of India is distinguished by its vast cultural diversity, hosting a wide range of ethnic groups, languages, and traditions. Such diversity not only enriches the societal fabric but also permeates the economic activities of the area. SMEs in North-East Odisha are diverse, spanning sectors from traditional handloom weaving to small-scale manufacturing, and from information technology services to agriculture-based businesses. They are vital in promoting regional growth and development, acting as catalysts for innovation and economic dynamism in rural and urban settings alike.

## OVERVIEW OF SMES IN NORTH-EAST ODISHA

The economic significance of SMEs in North-East Odisha cannot be overstated. They are notably resilient, often navigating through challenges that include fluctuating market demands, limited access to modern technology, and infrastructural constraints. Despite these hurdles, SMEs adapt swiftly to market changes and policy shifts, demonstrating remarkable flexibility. However, their growth and sustainability are often hampered by issues such as inadequate financial support, regulatory burdens, and skill shortages. Enhancing the support infrastructure for these SMEs is critical for maximizing their contribution to the region's economy, necessitating focused governmental and non-governmental interventions to address these gaps.

## IMPORTANCE OF WORKFORCE DIVERSITY

Workforce diversity within SMEs involves more than just acknowledging differences in ethnicity, gender, age, or educational backgrounds—it's about harnessing these differences to foster an innovative, inclusive, and productive work environment. In North-East Odisha, where societal norms are as varied as the landscape itself, workforce diversity offers a mirror to the community's multifaceted composition. This reflection is crucial not only for fostering social equity but also for enhancing business performance. Diverse teams are known to enhance creativity and drive innovation by pooling a wide range of perspectives and ideas. This is particularly advantageous for SMEs in a region characterized by varied consumer preferences and needs. Effective management of diversity can lead to improved problem-solving capabilities and better alignment with a diverse customer base, leading to enhanced customer satisfaction and business success. Moreover, embracing diversity can help SMEs in North-East Odisha become more agile and better equipped to anticipate and react to diverse market needs and economic fluctuations. Thus, understanding and implementing effective diversity management strategies is indispensable for leveraging the full potential of workforce diversity to boost operational efficiency and competitiveness in SMEs.

## RESEARCH PROBLEM

In North-East Odisha, small and medium-sized enterprises (SMEs) face distinctive challenges related to workforce diversity. While diversity has been widely recognized as a driver of innovation and business success, the integration of diverse workforces in SMEs can also present unique challenges,

particularly in regions with deep-rooted cultural traditions and varied socio-economic conditions. Challenges include managing cross-cultural communications, aligning diverse work practices, and overcoming potential biases and prejudices that may affect team cohesion and operational efficiency. These issues, if not managed properly, can lead to increased employee turnover, reduced productivity, and a weakened competitive stance in the market.

## **OBJECTIVES OF THE STUDY**

The primary objective of this study is to determine the impacts of workforce diversity on the operational effectiveness of SMEs in North-East Odisha. By analyzing how diverse work teams affect various aspects of operations, the study aims to:

1. Assess the relationship between workforce diversity and innovation within SMEs.
2. Evaluate the influence of diversity on employee performance and satisfaction.
3. Explore how diversity impacts overall business performance and market competitiveness.

## **RESEARCH QUESTIONS**

To achieve the objectives outlined, the study will address the following research questions:

1. How does workforce diversity influence operational effectiveness in SMEs in North-East Odisha?
2. What are the thresholds of diversity that maximize operational performance, and at what point does diversity begin to hinder operational effectiveness?

## **SIGNIFICANCE OF THE STUDY**

This research will make several significant contributions to the field of diversity management, particularly within the context of SMEs in a culturally rich and economically diverse region like North-East Odisha. From an academic perspective, it will extend the existing literature on workforce diversity by providing insights specific to SMEs in a developing region, which is often underrepresented in current studies. This can help bridge the gap between global diversity management practices and local cultural nuances.

Practically, the findings of this study will assist local SMEs in understanding and leveraging the benefits of workforce diversity to enhance their operational effectiveness. By identifying practical strategies to manage diversity effectively, SMEs can improve team cohesion, enhance innovation, and increase their competitive advantage. Moreover, the study will offer policymakers and business leaders data-driven insights to formulate policies and practices that support diversity and inclusion in the workplace, fostering a more inclusive economic growth model for the region.

## **LITERATURE RESEARCH**

Mishra, Y. (2016). in the study “A study on issues and challenges faced by MSME with special reference to Odisha” says that MSMEs are crucial to the country's economic and social growth. It also boosts the economy with its creative entrepreneurship. Small firms confront several size-related issues. It's usually bad planning, not economic problems. As a general rule, the entrepreneur should have enough money to cover his first-year sales and costs. MSMEs provide 45% of industrial production, 40% of exports, employ 60 million people, and add 1.3 million jobs annually. Over 8,000 high-quality

items are produced for Indian and worldwide markets. It contributed 17% to GDP in 2011 and 22% in 2012. These typically face issues that bigger enterprises and multinational organizations don't. These issues include lack of IT support, literacy, formal procedure and discipline, uneven IT awareness and management skill, financial resources, human resources, raw material issues, production issues, etc. MSMEs in India have several hurdles, as this research shows.

Perumal, Koshy (2010) in the study "Diversity and multiculturalism as a strategy for strengthening Micro, Small and Medium Enterprises (MSMEs) in the global market" says that Managing multiculturalism is a governance and management problem. Organizations are realizing the global market's variety and developing strategies to capitalize on it. Why is diversity a top corporate value? The rationale for profit creation and corporate operations? How do big companies handle diversity? Indian MSMEs: what have we learned? Why should MSMEs care? Companies and leadership need cultural competency and literacy in the global economy. An Indian employer's caste, creed, community, and language may affect its recruiting and HR procedures. However, strong biases may harm peace, prosperity, growth, and national cohesion. Educational expansion and empowerment: As India's diverse communities from different cultural backgrounds gain educational attainment, they will be absorbed by MSMEs, the country's largest employment generator. How well can MSMEs handle workplace diversity? This article discusses MSMEs' multicultural global market difficulties and potential.

Senapati, A. K (2024) in the study "Labour Force Participation, Gender Equality and Women's Empowerment Through Micro-entrepreneurship: Evidence from Odisha, India." Says that In the 21st century, the aggregative model of democracy cannot solve the complicated issue of structural inequality in a diverse society. Thus, social and economic empowerment measures that increase women's involvement and knowledge despite structural inequities in Indian society and Odisha must be found to facilitate decision-making. This article discusses women's empowerment and business management difficulties. For the research, we questioned 100 women entrepreneurs in Ganjam, Odisha. Multiple regression and Poisson regression models were employed to discover women's empowerment factors. The research indicated that domestic decision, autonomy, self-confidence, business skills, and public discussion significantly influence the amount of empowerment index indicators accepted. Multiple regression models showed that leisure, unpaid work, self-confidence, business skills, and social standing empower women. The research showed micro-entrepreneurship effective in Ganjam, Odisha. Empowering women via public debate and micro-entrepreneurship is essential.

Misra, S. N., & Mangaraj, S. (2011) in the study "Organisational Excellence Through Recruitment, Training & Retention Practices: A Study on Odisha Tourism." Says that Tourism has long-term economic effects on the host town. Tourism affects employment beyond hotels, restaurants, and airlines where travelers spend money. Tourist-attracting businesses purchase products and services from other industries, creating multiplier effects and jobs. Tourism success depends on hiring the right people, training them, and keeping them. By improving employee performance, organizations may succeed. Excellence via people emphasizes people as a competitive advantage. Odisha's tourism and hospitality businesses hire workers using their unique procedures. The recruiting process is subjective and prejudiced. The worker profile is good, however.

Chakraborti, C., Mishra (2018) in the study "Responsible business practices and some Indian SMEs" says that SMEs in India are seldom studied. The little known about this industry, particularly its ethical

business practices, suggests additional research is needed. The authors studied 200 manufacturing and service SMEs in West Bengal and Odisha to determine their environmental awareness and practices. The survey found that Indian SMEs have yet to adopt environmentally responsible and socially responsible business practices. The lack of knowledge and interest in environmentally responsible business practices among SME owner-managers, the perceived disconnect between environmental and socially responsible business practices, the absence of reporting practices in the sector, and the disinterest in 14001 certifications are some of the major findings. The research also discusses SME owner-managers' perceived hurdles and limits to environmental participation. The research suggests that Indian SME owner-managers require awareness, training, and mentorship to enhance their environmentally responsible business practices.

Tarai, S. (2020) in the study “Entrepreneurial Development in Handloom Sector through Effective Strategy Formulation: An Empirical Study in Odisha, state of India” says that The handloom industry has unable to develop enough entrepreneurs despite its worldwide potential. Despite government and other assistance, the industry has failed to create an entrepreneurial environment for the community. The research finds several causes of these diseases and recommends ways to improve them. Thus, two notable handloom clusters in India were chosen for qualitative primary research. The study found that many skilled and semi-skilled weavers want to become entrepreneurs if the government and other private-entity companies and NGOs address their issues and development factors, such as a better credit system, a local trend forecasting research center, technological upgradation, regular quality training, stakeholder ownership, and an incubation center. Most master weavers believe that without entrepreneurial status, they cannot get government subsidies, even if they run handloom businesses. Despite the government's various programs to help them, no weaver from the villages has registered as a corporate entity or sole owner. An opportunity exists.

## METHODOLOGY:

The methodology of this study employs a quantitative approach, utilizing structured equation modeling (SEM) to explore the impacts of workforce diversity on the operational effectiveness of SMEs in North-East Odisha. A purposive sampling method will be used to select a representative sample of 250 respondents from various SMEs across different industries within the region. This approach ensures a comprehensive analysis of the diverse workforce dynamics and their operational consequences. SEM is specifically chosen for its efficacy in analyzing complex relationships between observed and latent variables, providing a nuanced understanding of how diversity influences various aspects of SME operations.

## DATA ANALYSIS:

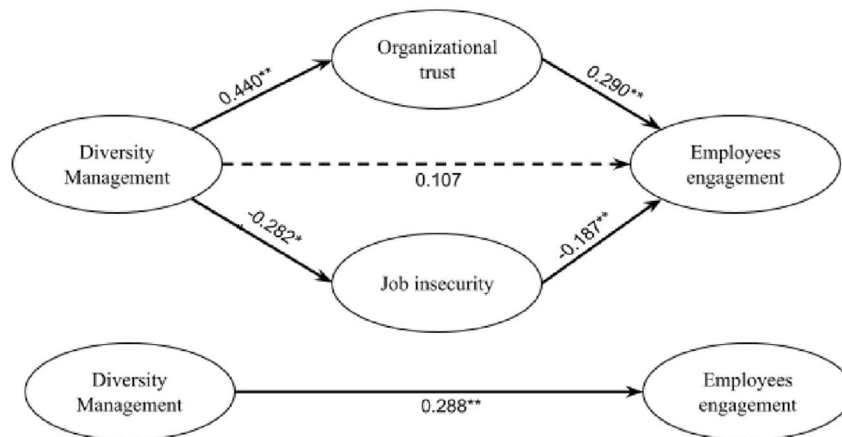
### Demographic Details:

Demographic			
Variable	Item	Count	%
Gender	“Male”	187	74.8
	“Female”	63	25.2
Age	“18–24 years”	77	30.8

<b>Job Tenure</b>	"25–34 years"	123	49.2
	"35–44 years old"	41	16.4
	"45–54 years old"	9	3.6
	"Less than a year"	60	24
	"Between 1 and 5 years"	137	54.8
<b>Education background</b>	"Between 4 and 10 years"	42	16.8
	"Above 10 years"	11	4.4
	"High school"	39	15.6
	"Bachelor's degree"	117	46.8
	"Master's degree"	68	27.2
	"Professional degree"	9	3.6
	"PhD degree"	17	6.8

The demographic data from your sample of 250 respondents in North-East Odisha SMEs reveals a predominantly male workforce, with males comprising approximately 74.8% and females 25.2%. The age distribution indicates a youthful workforce, with a significant portion (30.8%) aged between 18 and 24 years and nearly half (49.2%) between 25 and 34 years, suggesting that the majority are in their early career stages. Regarding job tenure, a majority (54.8%) have been with their current employer between 1 and 5 years, indicating moderate job stability. The educational background shows a diverse range, with most respondents holding a bachelor's degree (46.8%), followed by those with a master's degree (27.2%). This educational profile supports a relatively well-educated workforce capable of supporting diverse and complex job roles within the SME sector.

### STRUCTURE EQUATION MODELING:



1. Diversity Management to Organizational Trust: There is a positive path coefficient of 0.440, which suggests a significant positive relationship between effective diversity management and the level of organizational trust. This means as diversity management improves, organizational trust is likely to increase.
2. Organizational Trust to Employee Engagement: The path from organizational trust to employee engagement is also positive and significant (0.290), indicating that higher levels of organizational trust

are associated with increased employee engagement.

3. Diversity Management to Job Insecurity: This path has a negative coefficient of -0.282, suggesting that better diversity management is associated with lower job insecurity among employees.

4. Job Insecurity to Employee Engagement: The path from job insecurity to employee engagement is negative (-0.187), implying that higher job insecurity is likely to reduce employee engagement.

5. Direct Path from Diversity Management to Employee Engagement: Apart from the mediated relationships, there is also a direct and significant positive path from diversity management to employee engagement (0.288), indicating that diversity management has a direct positive effect on employee engagement, beyond its indirect effects through organizational trust and job insecurity.

In summary, the model suggests that diversity management is a key factor positively influencing employee engagement both directly and indirectly via organizational trust, and it reduces perceptions of job insecurity, which in turn is beneficial for employee engagement.

## DISCUSSION:

The current study set out to explore the operational impacts of workforce diversity within the SMEs of North-East Odisha. The findings indicate a nuanced interplay between workforce diversity management and various aspects of employee engagement, mediated by factors such as organizational trust and job insecurity. This discussion will interpret these findings within the broader context of the study's objectives and the existing literature on the topic.

The positive relationship between diversity management and organizational trust underscores the significance of inclusive practices in building a trustworthy environment. This aligns with the literature that suggests diverse workplaces, when managed well, foster a culture of mutual respect and trust, which is critical for employee engagement and motivation.

Conversely, the negative relationship between diversity management and job insecurity aligns with the notion that effective diversity practices can mitigate fears of discrimination and job loss, contributing to a more secure and stable work environment. This is particularly relevant in the SME context, where job security is often a significant concern due to limited resources and market volatility. The direct positive effect of diversity management on employee engagement highlights the importance of diversity as a key driver for employee involvement and commitment. Engaged employees are known to contribute more effectively to their organizations, suggesting that workforce diversity, when managed effectively, could be leveraged to enhance overall operational performance in SMEs.

Our findings contribute to the ongoing conversation in diversity management literature. Previous research has often concentrated on large corporations, with less attention given to SMEs, especially within the developing world context. By focusing on North-East Odisha, this study fills a gap, providing insights into how SMEs in a region with rich cultural dynamics approach diversity management.

The results also extend existing knowledge by demonstrating that diversity management has both direct and indirect effects on employee engagement, an area not extensively covered in the existing SME literature. The mediated relationship through organizational trust and job insecurity adds a new dimension to our understanding of the mechanisms through which diversity influences operational outcomes.

**CONCLUSION:**

The study on workforce diversity within SMEs in North-East Odisha concludes that effective diversity management is pivotal for enhancing employee engagement and operational effectiveness. The positive relationship between diversity management and organizational trust, along with the inverse relation with job insecurity, highlights the crucial role of inclusive practices. Notably, the direct link between diversity management and employee engagement underscores the tangible benefits of diversity beyond mere compliance or ethical imperatives. These findings offer a compelling case for SMEs in the region to prioritize diversity management as a strategic asset that fosters a more engaged and productive workforce, which can drive business performance and provide a competitive edge in the dynamic market. The study not only contributes to the academic discourse on diversity in emerging market contexts but also provides actionable insights for SMEs operating in culturally rich and diverse regions like North-East Odisha.

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