

## **THE ROLE OF RELIGIOUS AND CULTURAL DIVERSITY ON SMES IN CROSS RIVER STATE, NIGERIA: IMPLICATIONS FROM SMES MANAGEMENT PERSPECTIVE**

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**ABSTRACT:** *This paper studied the role of religious and cultural diversity on SMEs in Cross River State, Nigeria: Implications from SMEs management perspective. The primary aim of this research study was to find out the impacts that these diversity elements have on the growth and expansion of SMEs within the scope of the country as distinct from the existing general global studies. The research involved an initial pilot study with fifteen SME employees to validate the survey questionnaire which would be filled by their colleagues during the study. A further sixty seven respondents comprising SME employees from the four major geographical regions of Nigeria participated in completing the survey and their results were collated to determine the impacts of religiously and culturally based diversity measures on the growth and performance of the Nigerian SMEs. The diversity measures analyzed were selected on the basis of extensive review of past literature of the workplace diversity. The findings of this research showed some agreement with the results of past literature reviews in terms of affirming the presence of conflicts in the workplace due to diversity. The changes in human resource management practice recommended by this research will be very useful to both SME managers and business owners in harnessing the potentials of the multi-cultural and multi religious configuration of the country while reducing the disadvantages of such diversities.*

**KEYWORDS:** *Religious, Cultural Diversity, Nigerian, SMES, Implications, Management Perspective*

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### **INTRODUCTION**

The work and business environment usually consist of individuals from different background and various dispositions who come with their varying mindset and belief to interact with each other to achieve certain set goals. However, these differences known as diversity always come with challenges which can be either detrimental or profitable depending on the manner with which they are handled. Scholars have defined diversity in several ways as well as from different dimensions and views which reflect the dispositions and perspectives of the authors. Despite the various views, there has been a uniform agreement that diversity deals with differences in certain aspects of behaviours that are exhibited by individuals.

Gebert (2014) defined diversity as the measure of the difference in one or more attributes among individuals in such ways as ethnicity, age, race, gender, religion, culture, sexual orientation, language, political beliefs, etc. The differences in these aspects have been discovered over time to have significant amount of impact on the level of interaction and harmony among humans; (Mead & Andrews, 2009). For instance, while some people are naturally more receptive and social, others could be more reserved and withdrawn. It therefore becomes very necessary for humans to have an understanding of this phenomenon so as to enhance the ability to successfully relate with others, irrespective of their nature. The mastery of the ability

to relate with different people is perceived as a very good social capital base which positively affects business performance, (McGrath & Sparks, 2005). The attributes of diversity are too numerous and complex to exhaust in one study, and so this study only focused on the impacts of cultural and religious diversity on Small and Medium Scale Enterprises (SMEs) in Nigeria - a country often referred to as “many countries in one” owing to her multicultural and multi religious configuration. She is a nation with over 250 tribes and sub languages, although the major divide is along three major ethnic groups; namely: the Igbos, the Hausas and the Yorubas as shown in the map below as culled from

Figure 1: Map of Nigeria showing ethnic diversity and distribution



Source: [www.poverty.org](http://www.poverty.org).

This natural diversity in the country makes it imperative that managers within the local businesses at all levels are equipped with the knowledge of multicultural management skills. Currently, such trainings only exists in the MNEs and MNCs owing to their cross-border activities; but then the knowledge is also necessary in Nigerian SMEs to enable the managers and the entire workforce integrate into work place diversity even though they are domestic institutions.

Felicia, Johnson , George and Mofope (2014) conducted a study on the effect of socio-cultural realities are importance components in the Nigerian business environment. There is a shortage of literature and studies that linked socio-cultural realities to business development and performance. Small-Medium Enterprises (SMEs) constitutes over 70 per cent of the Nigerian businesses and characteristically informal. The objectives of this paper are in two-folds, namely (i) identify socio-cultural realities in the SME business environment in Nigeria and; (ii) examine the impact of these factors (in i) on the development of SMEs. Socio-cultural realities were measured from three major factors, namely attitude; religion and values: each of this factor were further categorised into several level of constructs. Responses from ten (10) SME owners/representatives in the five (5) major districts of Lagos state identified the socio-cultural realities as key factors affecting their businesses. A further research is recommended to further establish whether these results reflect the general condition in other states of Nigeria.

Similarly, Basil (2005) identified several factors responsible for the slow growth and premature nature of SMEs in Nigeria, which include dearth of capital, insufficient market demand, poor succession plan, poor managerial competency, lack of adequate infrastructure and support, family interferences with businesses, poor financial management skills, and high level of unprofessional practices. SMEs in Nigeria operates in an informal settings and are generally a one-man business show or at best managed by two or three family members, relations or friends, who handles all business decisions. Characteristically, it difficult to separate private and business interest as they are subjectivity and personality plays a critical part in all aspect of the business.

It has become the major contributor to employment, revenue generation, innovation and technology progression (Kotey & Meredith, 1997). SMEs definition varies from industry to industry, country to country, size to size, and number of employees to number of employee (Conrad & Darren, 2009). SMEs businesses can be classified into three groups: the micro, small, and medium enterprises. The micro SMEs are the smallest among the groups while the small enterprises are larger than the micro-businesses in terms of size, number of employees, structure, capital investment and economic contributions (Darren, 2009). On the other hand, World Bank defined SMEs as enterprises with a maximum of 300 employees and 15million in annual revenue (Gibson, 2008). While the Central Bank of Nigeria, in its Monetary Policy Circular No. 22 of 1988, defined small-scale businesses as having an annual turnover not exceeding 500,000 naira, asset base (excluding land) of between 5 million naira and 500 million naira, and labour force of between 11 and 300 in its employment (Ajose, 2010). The medium are larger than both the micro and small enterprises in operations, manpower capacity, staff strength, structure, capital investment and size.

The small and medium scale enterprises, (SMEs) constitute a very large segment (90%) of Nigerian businesses; (Gbandi & Amisah, 2014), and over 95% of the global businesses. This shows a huge potential not only for growth of a country's economy, but also for its sustenance. Some of the advantages of SMEs include the ease of starting up, less capital requirement etc. These have made it a major source of employment for the ever growing population of unemployed youth in Nigeria; (Martins, 2014). Unfortunately, the configuration of SMEs is such that unlike the large enterprises (LEs), they are usually privately owned, restricted to a limited geographical location and operate a flat management structure; ([www.opengroup.org](http://www.opengroup.org)). These characteristics could be negligible in a setting with less diversity but in Nigeria, however, they become points to watch and manage owing to the huge diversity in the country. This is important because the size, configuration and ownership of these SMEs inherently foster diversity; thus making it very imperative that close attention is given to the study of the subject of diversity and its management so as to build a more peaceful and robust business environment in the country.

### **Statement of the Problem**

Poor or inadequate diversity management practices have been proven to be a serious pitfall in business organizations and this is mostly found among the SMEs. This is because diversity management in SMEs is usually handled by the owner-managers instead of personnel specialists. This of course leads to inequality in management processes and consequently results in job dissatisfaction and efficiency decline. In some other cases where specialists were allowed to handle diversity related issues, it has also been found that poor management practices can result in serious negative implications, for example, Kautish (2012) showed that in the case of the merger between Golden Eagle and Saga Inc act of neglect of cultural diversity by the Human Resource Management (HRM) sparked off series of resentment and rebellion among the workforce, leading to serious productivity drop. It therefore becomes imperative to extend research into the diversity management practices in the SMEs in Cross River State, Nigeria, especially in developing nations like Nigeria so as to encourage their growth in this globalized era.

### **Purpose of the study**

The study was aimed at determining the role of religious and cultural diversity on SMEs in Cross River State, Nigeria: Implications from SMEs management perspective. Specifically, the study intends to find out the:

1. Role of religious and cultural diversity on SMEs in Cross River State, Nigeria.
2. How religion and cultures affect the process of selection and recruitment of SME staff.

## Research Questions

The following research question were framed for the study

1. What is the role of culture and religious diversity on SMEs in Cross River State, Nigeria?
2. To what extent do religion and cultures affect the process of selection and recruitment of SME staff?

## METHODS AND PROCEDURE

A pilot survey was conducted with a group of fifteen SME employees to determine if the survey form and questions were satisfactory and relevant to the research topic. The fifteen employees were selected from different SMEs in Cross River State, Nigeria who have a minimum of three years' experience in the Nigerian SME. There was no restriction on the age and academic qualifications for the selection; this is to enable varied perspectives in the review so that the questions can be free from biases and be more acceptable to public irrespective of their status. In order to get a sincere response, the author clearly explained the reason for the survey to each of the 15 persons contacted. A convenient date and time was fixed for the group to sit and examine the survey questions.

The group examined the survey form to ensure that the questions were concise and relevant to the research topic. Some minor amendments such as the removal of question for name of respondents as well as modification of some answer options were made to the final survey form to make it more acceptable to the public based on the feedback obtained from the respondents of the pilot survey. The final survey process was carried out with other SME employees all over the country. 120 employees were randomly selected. This was done by first identifying 5 SMEs in each of the three major geopolitical zones of Nigeria, namely the North, West and South-South/South-East and then taking the hard copies of the survey to 5 employees in each SME by the researcher. The author also sent soft copies of the survey through email to 45 other respondents that were contacted both directly and through friends. This was aimed at getting a wider sample which creates a more balanced understanding, by eliminating errors of non observation due to poor sampling, (Groves 1989, cited in Floyd, 2009). The selected participants were requested to complete the twenty one questions listed on the survey forms.

The completion of the survey forms by the selected SME employees mostly took place during their break period as most participants were observed to be more relaxed and cooperative during their break periods. The researcher's role throughout this survey was that of a guide to facilitate the use of the survey forms. Participants were first guided through the participant information sheet to keep them informed about major details such as contact information as well as the purpose of the survey which was a dissertation research in partial fulfillment for the researcher's MSc in International Management. They were then encouraged to complete the survey questions privately. The participants were assured of their confidentiality to make them feel relaxed and secure to give unbiased responses to the questions so as to generate a result that truly represented their personal views and opinions. The survey was structured in two parts for ease of analysis. The first part examined the participants' demographic details such as sex, age, marital status, educational qualification, occupation and position as well as location or city of residence. The second part of the survey questions assessed the participants' response to different religious and cultural impacts on their work place interactions. The responses to the questions were configured to a four point Linkert scale ranging very high to very weak for easy rating. The data analysis was carried out using the descriptive statistics with bar charts and percentages.

## RESULTS AND DISCUSSION

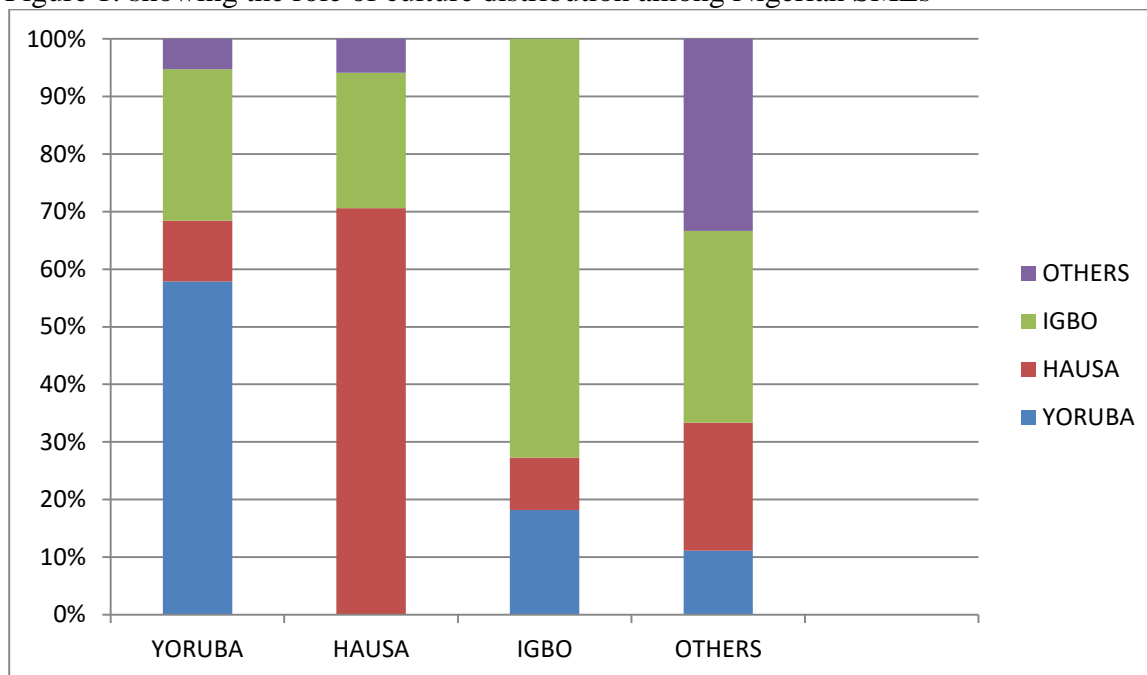
The result and discussion segment gives a comprehensive summary of the survey results while presenting discussions based on the results. The responses to research questions are also analysed with tables and charts and presented below:

### Role of culture distribution among Nigerian SMEs

Table 1: Showing the role of culture distribution among Nigerian SMEs

REGION	YORUBA	HAUSA	IGBO	OTHERS	TOTAL
YORUBA	11	2	5	1	19
HAUSA	0	12	4	1	17
IGBO	4	2	16	0	22
OTHERS	1	2	3	3	9
TOTAL	16	18	28	5	67

Figure 1: showing the role of culture distribution among Nigerian SMEs



From figure 1, it can be deduced that in each region, the indigenous culture still dominates the workforce in the SMEs of that region, thus showing the high concentration of the indigenes in the SME work environments. However, there were two major observations, namely: The people of Igbo seem to be more significantly distributed among the other regions as shown by chart 4.3 which implies a greater ease of business expansion to other regions. This is a trend that should be commended and encouraged among all the regions to enable them break beyond regional and geographical boundary restrictions. This is one of the fastest ways to explore business opportunities within the SME's core areas of comparative advantage thereby increasing output as well as customer base, while also improving the overall national GDP. More so, the region "Others" has the most even distribution of other cultures and this implies greater ease of acceptance of other cultures. This is also vital for economic growth as every firm considers a friendly environment as very crucial to business survival. If this friendly trend is replicated in all the regions of the

country, there will be a speedy development and expansion of SMEs to other regions and this means more productivity.

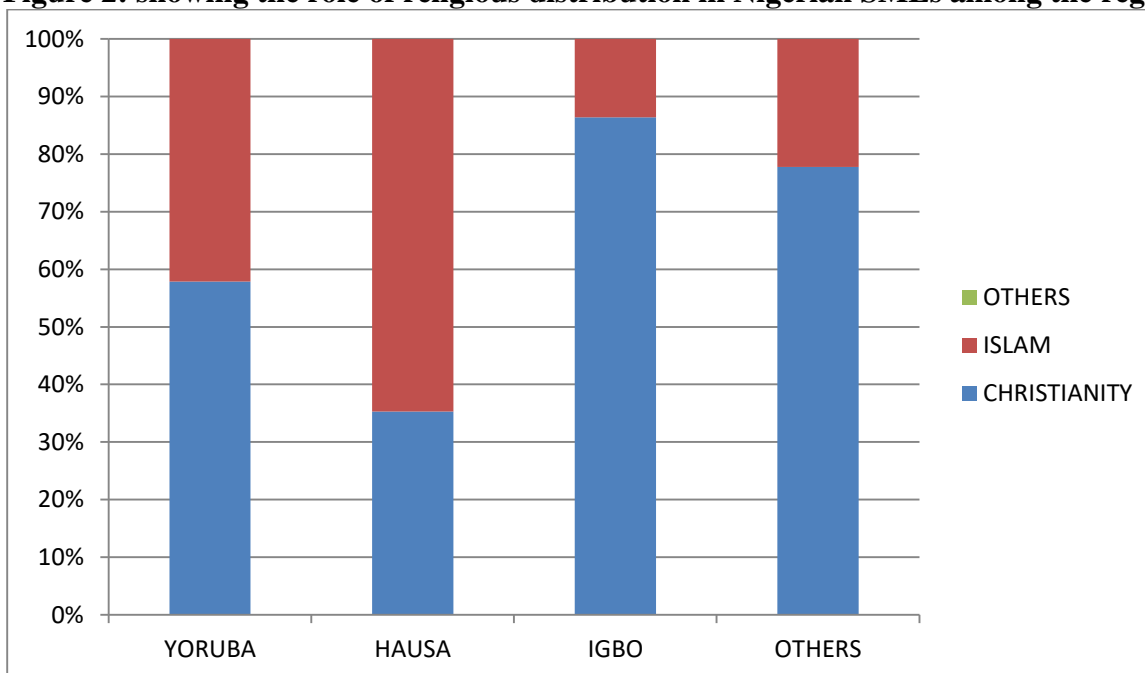
### The role of religious distribution in Nigerian SMEs among the regions

In determining the distribution of religion among the SMEs in the regions on the country, respondents were asked the question; what is the dominating religion in your organization? The results collated and presented in Table 2 and figure 2 below:

**Table 2: showing the role of religious distribution in Nigerian SMEs among the regions**

REGION	CHRISTIANITY	ISLAM	OTHERS	TOTAL
YORUBA	11	8	0	19
HAUSA	6	11	0	17
IGBO	19	3	0	22
OTHERS	7	2	0	9
TOTAL	43	24	0	67

**Figure 2: showing the role of religious distribution in Nigerian SMEs among the regions**



The chart clearly shows that the country is divided primarily along two religious lines of either Christianity or Islam. The western region (Yoruba) seems to be the region with an even distribution of religion while the other regions are all highly polarised. For instance, the Hausa is dominated by Moslems while the Igbo and "Others" are highly dominated by Christians, while this may not suggest any adverse implication for the SMEs.

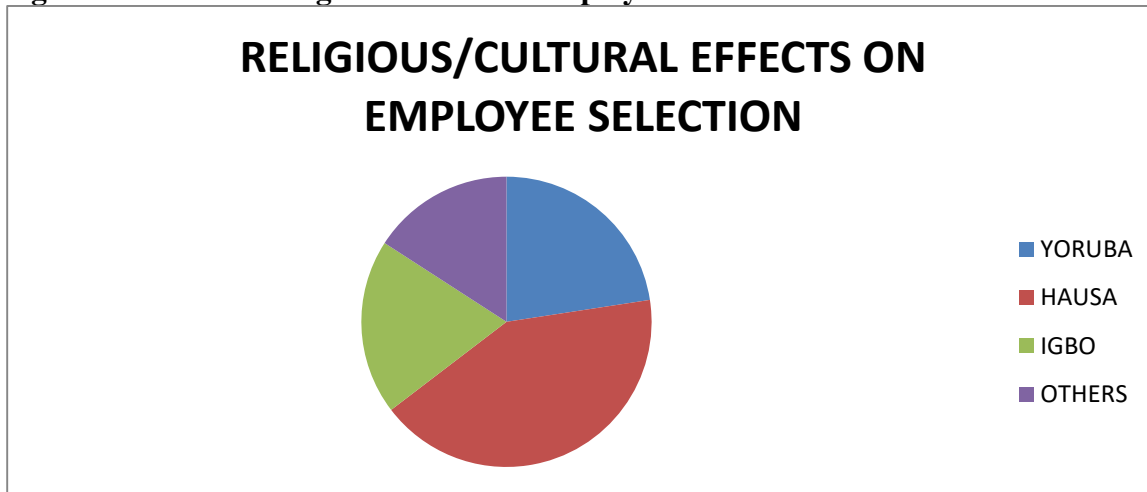
**Effect of Religion/Culture on employee selection**

Respondents were asked the question: To what extent do religion and /or cultures affect the process of selection and recruitment of SME staff? Their responses were collated and tabulated in Table 3.

**Table 3 Effect of Religion/Culture on employee selection**

REGION	HIGHLY	MODERATELY	SLIGHTLY	N/A	TOTAL
YORUBA	4	2	6	7	19
HAUSA	7	3	2	5	17
IGBO	2	4	3	13	22
OTHERS	0	2	1	6	9
TOTAL	13	11	12	31	67

Table 3 above shows that 24 (ie 13 +11 =24) out of 67 respondents identified culture and religion to significantly (highly and moderately) affect the system and process of selecting employees in their respective establishments. This represents 35.8% of the sample and is considered significant. This suggests that significant considerations are given to an applicant's culture/religion before recruitment decisions are made. It is the opinion of the researcher that when much significance is given to religion and culture with regards to an applicant's employability, there will be much tendency to employ the wrong people, especially where the preferred religion/culture lacked personnel with the right qualification. The federal government of Nigeria also has a major part to play in achieving this by enacting laws that make it impossible or difficult for cultural and religious discrimination to thrive. Currently, the Nigerian constitution (1999) as amended has in its chapter 4, section 38, and subsections 1, 2, and 3 clauses which uphold freedom of religion and also forbids the act of forcing or coercing any citizens to learn or join any religion without his consent or consent from his parent/guardian in the case of a minor. It also has in section 42 and subsections 1a, 1b and 2, clauses which forbid ethnic discrimination and subjection of citizens to different standards of judgment because of their places of origin as well as their birth circumstances. However, none of these clauses is firm enough on the areas of diversity with regards to workplace discrimination. It therefore becomes very important for the country's lawmakers to come up with appropriate laws like the Workplace Religious Freedom Act of 2005 (Morgan 2005) to tackle the issue of cultural/religious and other diversity related discrimination in the country's SMEs in particular and in the entire workplaces in general. A further analysis of this result on regional basis shows these impacts to be as follows: Yoruba, 31.6%, Hausa, 58.8%, Igbo, 27.3% and others, 22.2%. Thus, the highest influence of culture and religion in the selection of employee is in the Northern part dominated by the Hausas, followed by the Western Yorubas, while the least influence is found among the minority groups represented as "Others".

**Figure 3: Effect of Religion/Culture on employee selection**

## DISCUSSION

From the study, it was found that members of the South Eastern region known as Igbo have the most significant distribution in all the regions of the country, while the various minority cultures known as “Others” has the most evenly distribution of various cultures in their region. It is also important to emphasize that these two regions ranked the lowest in terms of consideration of culture as a factor in interacting with fellow employees. This perhaps explains why Igbo are the most enterprising people and highest contributors to the economic growth of the country, (Africa 2013). This study therefore deduces that high consideration on culture as a factor in interpersonal relationship is a major challenge to SME expansion in Nigeria.

The study showed that the country is divided along two major religions, namely: Christianity and Islamic religion. It was also observed that the South Western people known as Yoruba have the most even distribution of the various religions in the Nigeria. Although the relative high stability in terms of religious conflict in this region cannot be directly deduced from this study, the researcher however opines that it plays a major role and this has led to the high level of economic activities in places like Lagos which is seen as the centre of the region as well as the hub for SMEs in Nigeria.

## Summary

The study focused on the impact of cultural and religious diversity on the Nigerian SMEs and from the results and discussions, we can summarise that religion and culture still plays a significant role in the employees’ acceptance of movement to other cultural/religious region. In a global era where businesses are expanding beyond national borders for the purpose of maximising business opportunities, it will be a disadvantage for any business venture to limit itself because of diversity. Thus by refusing to do business in other regions, there is the tendency for the SMEs to become limited in their abilities to expand and even grow to MNEs.

This resistance was observed to be affected by the level of academic qualification of an employee, in the sense that all the workers with lower qualifications (SSCE and below) clearly rejected transfer to other regions and this is in agreement with the position of Paletz, Miron-Spektor and Lin (2014) who observed



that conflict and disharmony among cultures increases with an increase in the mental model gap between the interacting cultures; in other words, the closer the level of exposure to knowledge between people of different cultures, the less the disharmony and the more acceptance among them. It is therefore recommended that stronger sensitization programs be established to enlighten SME workers in this area.

### **Implications of SMES from Management Perspective**

The implications of SMES from management perspective of this study is that SME businesses are better understood from the perspective of the socio-cultural context; any convincing and comprehensive explanation must consider the social and cultural sides of business behaviour. Religious and cultural variables are strong components of business environment as they manifest themselves in various forms including religious beliefs, traditions, language, religious symbols and affiliation. SMEs are characteristically informal, high risk business; poor management orientation and business ethics. Being a one-man business or at most three, SME businesses are tied to culture, tradition and religion as typified by owners' orientations, values and personality.

### **Recommendation**

From the finding the following recommendations were drawn

1. Future studies in this line should take into consideration the role of religious and cultural variables as they affect the orientation and value proposition of SME owners and the business generally.
2. SMEs should be geared towards understanding of the environment, needs of the customers in the business environment.

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