



Analysing the Effect of Deep-Level Diversity Dimensions on Employees' Performance Among SMEs in Southwest Nigeria

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ABSTRACT

This study analyses the effect of deep-level diversity dimensions – values, beliefs, and personality traits – on employee performance among Small and Medium-Sized Enterprises (SMEs) in Southwest Nigeria. Drawing on Byrne's Similarity-Attraction Theory, the research explores how underlying psychological and attitudinal differences among employees shape workplace interaction, cohesion, and performance. A quantitative, cross-sectional research design was employed, with data collected from 1,983 valid respondents drawn from a sample of 2,296 selected across six states in Southwest Nigeria using the Krejcie and Morgan sample size formula. Descriptive and inferential analyses, including Partial Least Squares Structural Equation Modelling (PLS-SEM) via SmartPLS 4.1, revealed that deep-level diversity has a positive but statistically non-significant effect on employee performance ($\beta = 0.027$, $t = 0.969$, $p = 0.332$), with a negligible effect size ($f^2 = 0.001$). The findings imply that underlying, non-observable attributes such as values, beliefs, and personality traits do not, on their own, translate into measurable gains or losses in employee performance, suggesting that their influence may operate indirectly through intervening mechanisms rather than through a direct performance pathway. The study concludes that deep-level diversity should be understood as a latent organisational resource rather than an automatic driver of performance, and recommends that SME owners and managers pair deep-level diversity management with complementary HR interventions, such as inclusive leadership and structured feedback, to activate its potential benefits.

Keywords: Deep-Level Diversity, Employee Performance, Similarity-Attraction Theory

INTRODUCTION

Beyond the visible characteristics that distinguish employees at first glance, organisations are also shaped by a subtler and less immediately apparent form of diversity: differences in values, beliefs, and personality traits. This deep-level diversity becomes noticeable only through sustained interaction and the exchange of ideas among colleagues, yet it fundamentally shapes preferred working methods, communication styles, and conflict management within teams (Young, 2020). In small and medium-sized enterprises (SMEs), where close, frequent interpersonal contact is the norm, these underlying psychological differences can meaningfully influence how effectively employees collaborate and perform.

SMEs in Southwest Nigeria play a vital role in economic development, forming the backbone of employment and industrial output in the region (SMEDAN & NBS, 2021). Yet these enterprises often operate in resource-constrained environments that make employee performance a key determinant of survival and competitiveness. While the effect of visible demographic differences on performance has received growing scholarly attention, the extent to which less visible, psychological attributes, such as values, beliefs, and personality, concretely affect employee performance within the Southwest Nigerian SME context remains comparatively underexplored.

This gap raises an important question: does deep-level diversity, that is, differences in values, beliefs, and personality traits among employees, meaningfully shape performance outcomes in SMEs, or does its influence remain latent unless activated by other organisational conditions? Without clear answers, SME managers risk

either overlooking a potentially valuable dimension of their workforce or over-attributing performance outcomes to psychological differences that may, in practice, exert only an indirect influence (Young, 2020). Therefore, this study analyses the effect of deep-level diversity dimensions on employee performance among SMEs in Southwest Nigeria, providing evidence-based insight to guide more nuanced, psychologically informed management practices.

Objectives of the Study

This study seeks to:

- Analyse the effect of deep-level diversity dimensions on employees' performance among SMEs in Southwest Nigeria.

Research Questions

The following research question is addressed by this study:

- What is the effect of deep-level diversity dimensions on employees' performance among SMEs in Southwest Nigeria?

Research Hypotheses

The following hypothesis was formulated and tested:

H₀₁: Deep-level diversity dimensions have no significant effect on employees' performance among SMEs in Southwest Nigeria.

Significance of the Study

This study holds significance for both academic inquiry and practical application within the Nigerian SME sector. By focusing on deep-level diversity dimensions, namely values, beliefs, and personality traits, it addresses a subtler but consequential aspect of workforce composition that shapes how employees interpret their work environment, relate to colleagues, and ultimately perform.

For SME owners and managers, the findings offer actionable insight into whether, and how, psychological and attitudinal differences among employees should be factored into performance-management strategies. Understanding whether deep-level diversity operates directly or indirectly on performance can help leaders decide where to invest, whether in direct diversity interventions or in complementary mechanisms such as inclusive leadership, feedback systems, and job satisfaction initiatives suited to resource-constrained settings like Southwest Nigeria.

For policy makers and development agencies, the study provides evidence that can inform human resource development strategies and diversity management policies tailored to the region's realities. Nearly 50% of Nigeria's Gross Domestic Product (GDP) and over 80% of employment opportunities are attributable to SMEs (National Bureau of Statistics [NBS], 2021), making the effective management of the full spectrum of workforce diversity, both visible and underlying, within this sector a matter of considerable economic consequence.

From an academic perspective, the research contributes to the growing literature on organisational behaviour and diversity management in emerging economies, offering a localised test of Similarity-Attraction Theory and clarifying whether deep-level diversity functions as a direct performance driver or as a latent resource whose effects depend on complementary organisational conditions. Ultimately, the study aims to empower SME stakeholders with knowledge that can guide more precise, psychologically informed interventions, enhance employee engagement, and strengthen the long-term competitiveness of SMEs in Southwest Nigeria.

LITERATURE REVIEW

Diversity Dimensions

Diversity is broadly divided into two categories: surface-level diversity and deep-level diversity. Surface-level diversity includes easily identifiable attributes such as age, gender, and ethnicity, while deep-level diversity comprises less visible characteristics such as values, beliefs, and personality traits (Shore et al., 2018). These categories significantly influence team functioning, decision-making, and organisational culture. Diversity dimensions take on strategic importance in SMEs because these enterprises lack the resource cushion that large corporations can rely on and must depend heavily on collaboration and innovation for survival (Salau, 2023). When properly integrated, diversity fosters inclusivity, and inclusivity retains workers; when ignored or inadequately addressed, diversity-related issues can generate organisational inefficiency, high turnover, and interpersonal conflict.

Deep-Level Diversity

Deep-level diversity refers to unobservable differences among people in values, beliefs, personality, attitudes, knowledge, and cognitive styles that do not fall into surface categories such as age, gender, or ethnicity, but instead involve psychological and experiential attributes (Young, 2020; SLM MBA, 2024). This type of diversity becomes noticeable through verbal interaction and the exchange of ideas among team members as they work together over time; it emerges after some interaction among different parties and serves as a factor for evaluating team cohesion and organisational climate. Recognising deep-level diversity is crucial because it influences preferred working methods, communication styles, and conflict management, all of which affect cooperation and performance (Young, 2020).

In organisational contexts, particularly SMEs, effectively managing deep-level diversity has strategic value. It fosters creativity and innovation by integrating diverse cognitive perspectives and problem-solving approaches, allowing teams to generate unique solutions and adapt to dynamic market conditions. Research shows that teams with diverse educational and professional backgrounds tend to perform better on tasks requiring analytical reasoning and creativity, as they bring a broader range of experiences to decision-making. However, the benefits of deep-level diversity do not occur automatically; they depend on an inclusive organisational climate where differences are respected and leveraged rather than suppressed. Without deliberate inclusion strategies, variations in values or beliefs may lead to interpersonal tension, misalignment of goals, or resistance to change, undermining collaboration and job satisfaction.

Moreover, deep-level diversity significantly influences employee engagement and retention. Employees who perceive that their unique perspectives and identities are valued experience higher psychological safety, job satisfaction, and organisational commitment. Inclusive practices that recognise and integrate deep-level differences, such as participatory decision-making, cross-functional team projects, and continuous learning opportunities, enhance employees' sense of belonging and morale, which in turn drives productivity and reduces turnover, strengthening organisational performance and resilience (Young, 2020). For SMEs in culturally diverse environments like Southwest Nigeria, embracing deep-level diversity alongside surface-level diversity offers a strategic advantage by promoting innovation, adaptability, and sustainable growth.

Employee Value

Employee value refers to the cumulative worth an individual contributes to an organisation through their knowledge, skills, behaviours, and overall impact on organisational performance (Ross, 2021). It encompasses technical competencies, soft skills, and industry-specific expertise that enhance productivity, service quality, and innovation. Beyond functional capabilities, employee value is reflected in attributes such as reliability, adaptability, leadership potential, ethical conduct, and cultural alignment, all of which shape organisational effectiveness and sustainability (Cook, 2025). High-value employees not only deliver superior performance and efficiency but also contribute to team cohesion, organisational learning, and strategic advantage by fostering innovation and continuous improvement. Consequently, assessing and enhancing employee value through targeted HRM practices, such as talent development, performance management, and inclusive

leadership, is critical for organisational growth, particularly in SMEs, where human capital is a primary driver of competitiveness.

Employee Belief

Employee belief, a key component of deep-level diversity, refers to the personal convictions, values, and attitudes that shape how individuals interpret their work environment and organisational culture. These beliefs influence perceptions of leadership, fairness, and alignment with organisational mission, thereby affecting motivation, engagement, and overall performance outcomes (Ganesh, 2025). Positive employee beliefs, such as trust in leadership, confidence in organisational values, and a sense of purpose, are associated with higher job satisfaction, stronger commitment, and improved collaboration, collectively enhancing productivity and innovation (Reeves, 2023). Conversely, negative beliefs rooted in perceived injustice or lack of transparency can erode morale, increase turnover intentions, and weaken organisational cohesion. Organisations can shape employee beliefs through inclusive leadership, transparent communication, equitable HR practices, and growth opportunities, all of which foster a climate of trust and psychological safety (Thakur, 2025). By promoting positive beliefs, organisations create conditions that encourage creativity, knowledge sharing, and adaptive behaviours, which are critical elements for sustaining competitiveness in dynamic environments.

Employee Personality Trait

Employee personality refers to the distinctive combination of traits, values, and attitudes that shape an individual's work-related behaviours and interactions within an organisational setting (Rabl et al., 2018). These characteristics include dimensions such as ambition, teamwork orientation, resilience, and ethical values, which influence performance and interpersonal dynamics (Barajas, 2024). Personality reflects stable patterns of thought, emotion, and behaviour demonstrated over time, encompassing attributes such as self-confidence, adaptability, and a proactive orientation, as well as capabilities such as communication skills, leadership potential, and problem-solving approaches that determine how employees respond to challenges and collaborate with others (Agarwal, 2023).

Employee personality plays a pivotal role in organisational success, as it affects individual productivity, teamwork, and overall organisational climate (Samanta, 2020). Diverse personalities within teams foster creativity and innovation by integrating varied perspectives and problem-solving strategies, leading to superior decision-making and organisational learning (Saing & Eprianto, 2025; Ertosun & Adiguzel, 2018). However, personality differences can also create friction if not managed effectively, especially in multicultural and multi-generational work environments. Specific personality traits have also been shown to influence team functioning significantly; for example, individuals high in openness to experience demonstrate greater receptivity to new ideas and willingness to engage with colleagues from different backgrounds, thereby promoting inclusive team dynamics (Praslova, 2023). Recognising these differences enables organisations to develop targeted HR interventions, such as diversity training, personality assessments, and inclusive leadership practices, to enhance team performance and psychological safety.

Employee Performance

Employee performance broadly refers to the extent to which an individual effectively fulfils job responsibilities, meets organisational expectations, and contributes to overall organisational success (Mohammad et al., 2025; Nduati & Wanyoike, 2022). Performance encompasses observable behaviours and measurable outcomes that align with organisational objectives, including the efficiency, quality, and timeliness of work (Vuong & Nguyen, 2022). High performance occurs when employees effectively combine ability, motivation, and commitment to achieve predetermined standards (Faozen & Sandy, 2024). Employee performance lies at the heart of organisational competitiveness and sustainability; scholars emphasise that employees represent critical assets for driving productivity, customer satisfaction, and strategic differentiation (Gravina et al., 2021; Omar, 2010). Numerous factors influence performance, including individual characteristics, work design, motivation, leadership style, organisational culture, and workforce diversity, which shapes communication, creativity, and innovation within teams (Diamantidis & Chatzoglou, 2019). Employee performance is generally conceptualised as multidimensional, encompassing task performance

(core technical duties), contextual performance (teamwork and organisational citizenship), and adaptive performance (the capacity to respond to change). In this study, employee performance is examined through these lenses to assess its interaction with deep-level workforce diversity within SMEs in Southwest Nigeria.

Overview of SMEs in Southwest Nigeria

Small and Medium-Sized Enterprises (SMEs) are widely recognised as the backbone of national economies, serving as engines of job creation, innovation, and sustainable growth. In Nigeria, SMEs remain a cornerstone of industrial development; nonetheless, their performance has been characterised by persistent inefficiencies, including low sales volumes, poor productivity, and limited market share (Mohammed et al., 2022). Factors such as limited access to credit facilities, inadequate human capital, and weak institutional support exacerbate these issues, leading to stagnation and reduced competitiveness (Mohammed et al., 2021). Addressing these challenges requires policies that promote access to finance, capacity development, technology adoption, and robust human resource management practices to strengthen the resilience and performance of SMEs. SMEs across Southwest Nigeria's six states, namely Lagos, Ogun, Oyo, Osun, Ondo, and Ekiti, span manufacturing, trade and distribution, services, and agro-allied activities, and account for a substantial share of employment and industrial output in the country (SMEDAN & NBS, 2021; PWC, 2020).

THEORETICAL REVIEW

Similarity-Attraction Theory

Similarity-Attraction Theory, most notably advanced by Byrne (1971), posits that individuals are naturally drawn to others who share similar attitudes, values, personality traits, and demographic characteristics. This theory emerged from Byrne's extensive experimental work, particularly his "bogus stranger" paradigm, which demonstrated that perceived similarity, especially in attitudes, significantly increases interpersonal attraction. Byrne argued that similarity acts as a form of social reinforcement, validating one's worldview and reducing uncertainty in social interactions, and formalised the theory into what he called the "Attraction Paradigm," proposing that similarity leads to positive affect, which becomes associated with the similar other, thereby increasing attraction.

In the context of diversity and employee performance in SMEs, Similarity-Attraction Theory offers both insights and caution. On one hand, similarity among team members can enhance interpersonal harmony, reduce conflict, and streamline decision-making. On the other hand, overreliance on similarity may lead to homogeneity, stifling creativity and excluding diverse perspectives. Critics have challenged the theory's universality, proposing a "dissimilarity-repulsion" hypothesis, which suggests that avoidance of dissimilar others may be a stronger driver than attraction to similar ones, and arguing that the theory overlooks the potential benefits of complementarity, where differences can foster growth, innovation, and balance in relationships.

In SMEs, where agility and innovation are crucial, managing the tension between similarity and diversity is essential. Applied to this study, Similarity-Attraction Theory helps explain how employees' underlying values, beliefs, and personality traits may draw them toward, or away from, effective collaboration with colleagues, and underscores the importance of inclusive HR practices that recognise the value of both shared and divergent traits in building high-performing teams.

Review of Related Empirical Studies

Homan et al. (2020), in their study titled "Leading Diversity: Towards a Theory of Functional Leadership in Diverse Teams," aimed to develop a comprehensive theoretical framework for understanding how leadership can effectively manage team diversity. They reviewed existing literature to propose the Leading Diversity (LeaD) model, which emphasises proactive and reactive leadership strategies tailored to informational and intergroup processes. As a conceptual review, the study did not involve a specific population or sample size, and no statistical tools were used. The key finding was that effective leadership in diverse teams requires adaptive behaviours that address team-specific diversity-related needs. The authors recommended that



organisations train leaders to develop diversity-related competencies. A limitation of the study was its reliance on existing literature without empirical validation of the proposed model.

Kundi and Aboramadan (2022), in their article titled “A Multi-Level Examination of the Link Between Diversity-Related HR Practices and Employees' Performance: Evidence from Italy,” investigated how diversity-focused HR practices influence individual performance. The study targeted employees in the Italian hotel industry, including 475 employees and their supervisors, using a multi-level sampling technique within a quantitative, time-lagged research design. Data were collected using structured questionnaires and analysed via structural equation modelling (SEM), along with regression and mediation analyses. Findings revealed that diversity-focused HR practices positively influenced performance through the mediating roles of inclusion climate and relational attachment. The authors recommended that organisations foster inclusive climates to enhance employee engagement. Limitations included the study's focus on a single industry and country, which may affect generalisability.

Egbuta et al. (2024) conducted a study titled “Enhancing Employee Efficiency through Deep-Level Workforce Diversity: A Study of Selected Deposit Money Banks in Lagos State,” exploring how deep-level diversity affects employee efficiency. With a study population of 4,871 employees across five banks, a sample size of 464 was determined using a sample size table. A survey research design was adopted, and stratified random sampling was used. Data were collected via structured questionnaires, and reliability was confirmed with Cronbach's alpha ranging from 0.70 to 0.94. Using descriptive statistics and multiple linear regression, the analysis revealed that deep-level workforce diversity had a significant effect on employee efficiency. The study recommended promoting inclusive practices and valuing employees' beliefs and values. Limitations involved the study's geographic scope and reliance on self-reported data.

Telyani et al. (2022) examined the effects of surface-level (age, gender) and deep-level (education, experience) diversity on organisational performance in the Lebanese banking sector, investigating the role of innovative culture as a mediator. Using data from 75 banks and 327 employee surveys, their structural equation modelling analysis found that both types of diversity positively influence performance, but only through fostering a culture of innovation. Age and experience diversity were directly associated with higher innovative culture scores, which, in turn, were significantly linked to improved performance metrics such as market growth and product development. The study highlights that workforce heterogeneity becomes a valuable organisational asset when organisations cultivate innovative environments.

Triana et al. (2020), in a meta-analysis titled “The Relationship between Team Deep-Level Diversity and Team Performance,” synthesised findings from 94 studies involving 24,425 teams. The objective was to explore how personality, values, and cultural diversity affect team performance, with mediators such as team conflict and emergent states. No primary data collection occurred; instead, the authors used meta-analytic techniques, including effect size estimation and moderator analysis. Findings indicated that deep-level diversity was associated with increased team conflict and reduced positive team processes, which, in turn, affected performance. The authors recommended leadership interventions to mitigate conflict. Limitations included variability in study contexts and measurement inconsistencies.

Wallrich et al. (2024) conducted a comprehensive meta-analysis to clarify the ambiguous relationship between team diversity and team performance in organisational settings. By analysing findings from a large number of quantitative studies, the registered report synthesises evidence from diverse contexts to reconcile theoretical expectations about the benefits of diversity with mixed empirical outcomes in practice. The results indicate that although diversity can enhance team performance under certain conditions, its overall effects are moderated by contextual and process factors such as task complexity, team tenure, leadership practices, and performance measures; diversity tends to enhance performance when teams have sufficient time, supportive climates, and inclusive processes, but may have neutral or even negative effects when such conditions are absent.

Adam and Alfawaz (2025) investigated how gender diversity relates to organisational performance in Saudi Arabian organisations, focusing on the mediating roles of employee engagement and employee commitment.

Using a quantitative, cross-sectional design, the researchers collected structured questionnaire data from 1,233 employees across 19 organisations, and structural equation modelling was applied to test the proposed mediation model. The results demonstrated that gender diversity is significantly and positively associated with both employee engagement and commitment, and that both engagement and commitment, in turn, positively influence organisational performance. The study suggests that shared values cultivated through inclusive practices facilitate greater engagement and commitment, serving as key mechanisms linking gender diversity to organisational performance. Limitations included the study's focus on gender at the potential expense of other deep-level diversity traits and its specific Saudi Arabian context, which may limit generalisability.

Padi et al. (2025) examined women's empowerment in non-traditional trades (NTTs) in Ghana, with particular emphasis on strategies for overcoming gender stereotypes and workplace biases. Using a descriptive cross-sectional survey design, the study employed a quantitative approach to collect data from 400 women engaged in NTTs across three regions of Ghana, using purposive sampling and structured questionnaires. The findings revealed that workplace expectations significantly predict women's empowerment outcomes, and that structured empowerment strategies, such as awareness programmes and professional networking opportunities, played a critical role in mitigating workplace bias and dismantling entrenched gender stereotypes. As the research is context-specific to Ghana and utilises a cross-sectional design, causal interpretations remain limited.

Park et al. (2025), in “Forty-Five Years of Research on Diversity, Equity, and Inclusion in Management,” explored the relationship between deep-level diversity (attitudes, personalities, values) and team or organisational performance through a scoping review of 725 articles published between 1976 and 2022. Thematic analysis identified trends in diversity effects, with findings indicating that deep-level diversity enhances performance through creativity and innovation when supported by inclusive management, though conflict can arise without proper leadership. Limitations include the broad historical scope, which may dilute recent trends, and the lack of primary data, which limits empirical validation.

Patrício and Franco (2022) conducted a systematic literature review to examine how team diversity influences team performance and to identify future research directions. Analysing 80 peer-reviewed articles published between 1996 and 2020, the authors used bibliographic coupling to classify the literature into three clusters: Team Knowledge Diversity, Diversity Effects, and Desirable Outcomes of Diversity. The review showed that knowledge and cognitive diversity can enhance creativity, innovation, and problem-solving, particularly in knowledge-intensive contexts, but that these benefits are contingent on effective coordination, leadership, and integration mechanisms, and that diversity's impact on performance is context-dependent and moderated by strategic, social, and organisational factors. The study concludes that diversity alone does not guarantee improved performance; rather, its effectiveness depends on management practices, contextual moderators, and team processes.

Taken together, the empirical literature on deep-level diversity presents a more mixed picture than that on surface-level diversity. While several studies report positive effects of values, beliefs, and personality-related diversity on performance, particularly when mediated by inclusive climates, HR practices, or innovative culture, others find that deep-level diversity can heighten team conflict and, in some cases, exert no direct effect on performance at all. A recurring theme across these studies is that deep-level diversity rarely translates into performance outcomes on its own; rather, its influence is frequently contingent on intervening mechanisms such as leadership behaviour, organisational climate, and complementary HR interventions.

METHODOLOGY

This research employed a cross-sectional quantitative survey design to investigate the effect of deep-level diversity dimensions on employees' performance among Small and Medium-scale Enterprises (SMEs) in Southwest Nigeria. The design is considered appropriate because it enabled the collection of numerical data from a large sample of respondents at a single point in time, providing an objective, statistically analysable snapshot of the relationship between deep-level diversity and employee performance.



The population comprises 920,980 employees of SMEs operating across the six states of Southwest Nigeria, namely Ekiti, Lagos, Ogun, Ondo, Osun, and Oyo. The study applied the Krejcie and Morgan Sample Size Formula to calculate a sample size of 2,296 at a 95% confidence level and a 5% margin of error, with the sample distributed across the six states in proportion to their employee population. Multistage sampling was adopted: purposive sampling was used to select major cities with SME concentrations in each state, stratified random sampling was used to create four sectoral strata (manufacturing, trade and distribution, service, and agro-allied), and simple random sampling was then used to select respondents within each stratum, giving every SME employee an equal chance of selection.

Data were collected using a structured questionnaire based on a four-point Likert scale ranging from “Strongly Disagree” to “Strongly Agree.” Deep-level diversity, the independent variable, was measured using three proxies, namely values, beliefs, and personality traits, capturing employees' perceptions of how well underlying psychological differences are recognised, respected, and integrated within their organisations (Rabl et al., 2018). Employee performance, the dependent variable, was captured through task, contextual, and adaptive performance dimensions.

Reliability testing was undertaken using Cronbach's Alpha and Composite Reliability to assess internal consistency, while validity was examined through convergent and discriminant analyses, including Average Variance Extracted (AVE), the Fornell-Larcker criterion, and the Heterotrait-Monotrait (HTMT) ratio. Data analysis began with descriptive statistics via SPSS to summarise demographic and item-level characteristics. To test the hypothesis, the study employed Partial Least Squares Structural Equation Modelling (PLS-SEM) through SmartPLS 4.1, which is well suited to modelling complex relationships and assessing both the strength and significance of direct effects among constructs.

RESULTS OF FINDINGS

Table 1: Frequency and Percentage Distribution of Respondents' Socio-demographic Information

Variables	Response level	Frequency	Percentage
Gender	Female	861	43.4
	Male	1122	56.6
	Total	1983	100
Age range	16-25 years	186	9.4
	26-35 years	341	17.2
	36-46 years	518	26.1
	46-55 years	607	30.6
	56-65 years	259	13.1
	65 years and above	72	3.6
	Total	1983	100



Highest Educational qualification	SSCE/O'Level	345	17.4
	OND/NCE	562	28.3
	HND/BSc	792	40
	Master's Degree	184	9.3
	Ph.D.	11	0.6
	Others	89	4.4
	Total	1983	100
Marital status	Single	610	30.8
	Married	1113	56.1
	Divorced	174	8.8
	Widowed	86	4.3
	Total	1983	100
Role in the organisation	Management	435	21.9
	Supervisory	687	34.6
	Operational staff	861	43.4
	Total	1983	100
Years of work experience	Less than 1 year	348	17.5
	1-5 years	773	39
	6-10 years	602	30.4
	Above 10 years	260	13.1
	Total	1983	100
Ethnicity	Yoruba	1091	55
	Igbo	519	26.2
	Hausa	174	8.8



	Others	199	10
	Total	1983	100

Source: Field Survey, 2025

Table 1 presents the socio-demographic distribution of respondents drawn from SMEs across Southwest Nigeria. Male respondents constituted a slight majority (56.6%) compared with female respondents (43.4%). The respondents were predominantly within the 46–55 years age category (30.6%), followed by those aged 36–45 years (26.1%), suggesting a relatively mature workforce. Most respondents held an HND or BSc qualification (40%), and the majority were married (56.1%). In terms of organisational role, 43.4% were operational staff, 34.6% held supervisory positions, and 21.9% were in management. Ethnic representation was predominantly Yoruba (55%), followed by Igbo (26.2%) and Hausa (8.8%), reflecting the regional demographic composition of Southwest Nigeria. Overall, the results depict a diverse yet fairly balanced demographic structure within the SME sector.

Table 2: Descriptive Statistics of Respondents' Opinion on Deep-Level Diversity

Deep Level Diversity	SD	D	A	SA	Total	Mean [SD]
Values Diversity						
Employees in my organisation respect each other's values.	175	477	845	486	1983	2.83
My workplace promotes an inclusive culture for individuals with different values.	285	708	774	216	1983	2.46
My organisation encourages diverse perspectives when making decisions.	584	135	440	824	1983	2.76
My workplace allows employees to express their values freely.	151	485	975	372	1983	2.79
Employees with different values collaborate effectively in my organisation.	207	592	880	304	1983	2.65
Beliefs Diversity						
My workplace promotes an inclusive culture for individuals with different personal beliefs.	422	207	591	763	1983	2.85



Employees in my organisation respect each other's beliefs.	49	147	1232	555	1983	3.16
My organisation supports religious and cultural differences.	34	170	1182	597	1983	3.18
Employees with different beliefs work together without conflict.	17	55	1167	744	1983	3.33
My workplace does not discriminate based on personal beliefs.	11	158	1148	666	1983	3.25
Personality Traits Diversity						
Employees with different personality traits collaborate effectively in my organisation.	45	189	1083	666	1983	3.20
My organisation encourages diverse perspectives when making decisions.	34	316	1189	444	1983	3.03
Differences in employees' personalities do not negatively impact teamwork in my organisation.	40	176	1269	498	1983	3.12
My organisation values employees with different personality traits equally.	71	416	971	525	1983	2.98
My workplace accommodates employees with different personality traits.	22	240	1218	503	1983	3.11
Overall Mean						2.90

Source: Field Survey, 2025

Descriptive statistics were conducted to examine employees' perceptions of deep-level diversity, encompassing values, beliefs, and personality trait diversity, among SME employees in Southwest Nigeria. For values diversity, respondents reported moderate agreement, with the item on mutual respect for values recording a mean of 2.83, while perceptions that the workplace promotes an inclusive culture for individuals with different values recorded the lowest mean in the table (2.46), suggesting that values diversity is the least emphasised of the three dimensions. For beliefs diversity, agreement was notably stronger; the highest mean score in the entire table was recorded for the statement that employees with different beliefs work together without conflict (mean = 3.33), alongside strong agreement that the workplace supports religious and cultural differences (mean = 3.18) and does not discriminate based on personal beliefs (mean = 3.25). For personality

traits diversity, respondents also reported favourable perceptions, with effective collaboration among employees of different personality traits recording a mean of 3.20 and the belief that personality differences do not negatively impact teamwork recording a mean of 3.12. The overall mean score of 2.90 across all deep-level diversity items suggests that, on balance, employees in Southwest Nigerian SMEs perceive belief and personality diversity as reasonably well integrated into their workplace culture, with values diversity representing the area most in need of improvement.

Answering Research Questions

RQ1: What is the effect of deep-level diversity dimensions on employees' performance among SMEs in Southwest Nigeria?

Table 3: Significance Test of Deep-Level Diversity on Employee Performance

Constructs	Coefficients	Standard Error	T statistics	P values	f ²	Remarks
DLD → EP	0.027	0.028	0.969	0.332	0.001	Not statistically significant

*, **, and *** represent significance @10%, 5%, and 1% level of significance. Note: The effect size (f²) was categorised based on Cohen's (1988) guidelines: Very small: f² < 0.02; Small: 0.02 ≤ f² < 0.15; Large: 0.15 ≤ f² < 0.35; Very large: f² ≥ 0.35.

Source: Adapted from SMART-PLS Output, version 4.1

Table 2 presents the results of the structural path analysis examining the effect of deep-level diversity on employee performance among SMEs in Southwest Nigeria. The path coefficient from deep-level diversity to employee performance was positive but not statistically significant ($\beta = 0.027$, SE = 0.028, $t = 0.969$, $p = 0.332$). This result indicates that deep-level diversity does not exert a significant direct effect on employee performance in the model. In addition, the effect size is extremely small (f² = 0.001), suggesting a negligible practical contribution of deep-level diversity to explaining variations in employee performance.

Based on these findings, the null hypothesis (H₀₂), which states that deep-level diversity dimensions have no significant effect on employees' performance among SMEs in Southwest Nigeria, is not rejected. The results imply that underlying, non-observable diversity attributes, such as values, beliefs, and personality traits, do not, when considered directly, independently translate into higher or lower employee performance within SMEs. This suggests that the influence of deep-level diversity on performance may be more complex and potentially indirect, operating through intervening mechanisms such as job satisfaction or contextual organisational factors rather than through a direct performance pathway.

Discussion of Findings

The findings from the structural model indicate that deep-level diversity does not have a statistically significant direct effect on employee performance among SMEs in Southwest Nigeria (see Table 2). This finding implies that differences in employees' values, attitudes, beliefs, and personality traits do not, by themselves, translate into improved or diminished performance outcomes. Empirically, this result aligns with several studies that report non-significant or inconsistent direct relationships between deep-level diversity and performance, particularly in small and medium-sized organisational contexts. For instance, Jansen and Searle (2021) found that deep-level attributes exert weak or delayed effects on performance unless mediated by attitudinal or relational variables. Similarly, Stahl and Maznevski (2021) observed that deep-level differences

do not directly predict performance outcomes in work groups, especially where task coordination and role structures moderate behavioural expression.

In contrast to studies reporting positive effects (e.g., Triana et al., 2020), the present finding suggests that context matters. SMEs in Southwest Nigeria are often characterised by informal structures, close supervisory control, and limited autonomy, which may suppress the expression of individual psychological differences in task execution. Empirical evidence from developing-economy SMEs supports this position, indicating that employees' deeper cognitive attributes influence performance primarily through work attitudes rather than direct task behaviours (Malik, 2022; Baah et al., 2023). From a theoretical standpoint, this result provides partial support for Similarity-Attraction Theory (Byrne, 1971). While the theory suggests that similarity in values and beliefs enhances interpersonal attraction, the non-significant direct effect observed here implies that such attraction does not automatically translate into measurable performance outcomes. This position is empirically supported by Ehrhardt and Ragins (2019), who found that relational similarity affects affective outcomes more strongly than objective performance indicators.

The finding is also consistent with Social Categorisation Theory, which posits that individuals categorise themselves based on salient attributes (Tajfel, 1978); deep-level characteristics are less visible and may not readily trigger the in-group or out-group dynamics that influence performance. Empirical studies by Anthony and Trajico (2024) and Chen et al. (2025) similarly report that deep-level diversity often remains latent unless activated by contextual or managerial cues. Furthermore, Resource-Based Theory (Barney, 1991) suggests that deep-level diversity constitutes a potential strategic resource rather than an automatic source of advantage; such diversity contributes to performance only when supported by complementary organisational capabilities, such as inclusive HRM systems and positive employee attitudes (Ahmed & Islam, 2018; Ojiaku et al., 2020). In their absence, deep-level diversity may remain underutilised, which may explain the non-significant direct effect observed in this study.

Overall, the finding implies that deep-level diversity does not directly influence employee performance among SMEs in Southwest Nigeria, but rather operates through intervening mechanisms such as job satisfaction and perceptions of fairness. This empirical pattern reinforces the growing consensus in diversity literature that deep-level diversity is an indirect performance driver, whose effects are contingent on psychological and organisational processes rather than immediate task outcomes.

CONCLUSION

This study set out to analyse the effect of deep-level diversity dimensions, namely values, beliefs, and personality traits, on employee performance among SMEs in Southwest Nigeria. Drawing on Similarity-Attraction Theory and supported by robust survey data from 1,983 respondents, the findings reveal that deep-level diversity has a positive but statistically non-significant direct effect on employee performance ($\beta = 0.027$, $t = 0.969$, $p = 0.332$), with a negligible effect size ($f^2 = 0.001$). This indicates that psychological and attitudinal differences among employees do not, on their own, produce measurable changes in performance.

The failure to reject the null hypothesis suggests that deep-level diversity, unlike its surface-level counterpart, functions less as a direct lever of performance and more as a latent organisational resource whose potential is realised only under supportive conditions. In SMEs, where informal structures and close supervisory control often characterise daily operations, the expression of underlying psychological differences in task behaviour may be constrained, muting any direct link to performance. This study contributes to the growing body of literature emphasising the importance of managing the full spectrum of workforce diversity in emerging economies such as Nigeria, and it affirms that unobservable differences, while important for shaping workplace climate and cohesion, require complementary organisational mechanisms, such as inclusive leadership and job satisfaction initiatives, to translate into measurable performance gains.

Implication of the Study

The findings of this study carry important theoretical, practical, and policy implications for SME stakeholders in Southwest Nigeria and beyond. Theoretically, the non-significant direct effect of deep-level diversity on



employee performance offers partial support for Similarity-Attraction Theory (Byrne, 1971), while also lending credence to Resource-Based Theory's (Barney, 1991) view that deep-level diversity is a potential, rather than automatic, strategic resource that requires complementary organisational capabilities to yield performance benefits.

From a practical standpoint, the results caution managers against assuming that recognising or managing values, beliefs, and personality differences will, by itself, directly improve employee performance. Instead, human resource professionals should pair deep-level diversity initiatives with complementary interventions, such as inclusive leadership development, structured feedback mechanisms, and job satisfaction programmes, that can help activate the latent benefits of psychological diversity. Team-building and onboarding processes should be designed to surface and integrate underlying differences gradually, rather than expecting immediate performance dividends from diversity alone.

At the policy level, the non-significant finding underscores the need for organisational and national policies that go beyond simply mandating diversity representation to actively supporting the organisational conditions, such as inclusive climates and psychological safety, under which deep-level diversity can translate into performance gains. Policymakers and development agencies should encourage SMEs to invest in holistic HR systems that address both visible and underlying forms of diversity, rather than treating deep-level diversity management as a standalone solution to performance challenges in the SME sector of Southwest Nigeria.

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