



Munich Personal RePEc Archive

**Diversity and multiculturalism as a
strategy for strengthening Micro, Small
and Medium Enterprises (MSMEs) in
the global market**

Perumal, Koshy

Institute for Development Studies and Enterprise Research (IDSER)

10 January 2010

Online at <https://mpra.ub.uni-muenchen.de/20223/>

MPRA Paper No. 20223, posted 26 Jan 2010 01:18 UTC

*Diversity and Multiculturalism as a strategy
for strengthening MSMEs in the global
market*

By. Perumal Koshy

Key words: Diversity Management, MSMEs, Global Market

Abstract

Managing multiculturalism is indeed a challenge both at the, governance as well as managerial levels. Organisations are increasingly realising vast diversity within the global market and devising strategies to make the most out of it. Why is multiculturalism being adopted as a leading corporate value? What are the rationality behind it in terms of profit generation and operations of a business? How are large corporates managing diversity? What are the lessons for Indian Micro, Small and Medium Enterprises? And why should MSMEs take them into consideration? Cultural competence and cultural literacy are very crucial in the global market place, both for companies as well leadership. The caste, creed, community and language proclivities of an employer in India could invariably reflect in the recruitment and HR policies of an organization. But such prejudices, when assuming overwhelming proportions, could be detrimental to peace, progress and development, and above all, national integration. Educational expansion and empowerment: With India's diverse groups of communities from different cultural backgrounds getting empowered and achieving educational attainments, it's going to be the MSMEs that they would be absorbed in, since MSMEs are the largest employment generation sector in the country. But how far MSMEs are equipped to manage worksite diversity? This paper addresses challenges and opportunities for MSMEs in the multicultural global market.

Author bio: Dr. P. Koshy is with Institute for Development Studies and Enterprise Research (IDSER), and based in India and works with a focus on Small and Micro Enterprises, ICT for Development.

Contact details:Email: <caushie@gmail.com>
mail@samadhanfoundation.com
91-469-2681162, 91-9946003449

Diversity and Multiculturalism as a Strategy for Strengthening Indian MSMEs in the Global Market

Introduction

Multiculturalism is an indisputable fact of life in today's world. However, managing multiculturalism is indeed a challenge both at the, governance as well as managerial levels. Organisations are increasingly realising vast diversity within the global market and devising strategies to make the most out of it.

Multiculturalism and diversity, within the global market, spring from various sources, the significant ones are the new world trade regime effected by the World Trade Organization (WTO); the revolution brought about by Information and Communications Technology (ICT); new technologies of rapid transportation and increased mobility with the introduction of air travel; increased international migrations; staff movement by multinationals from one country to another; the liberal emphasis on individual choices and the return of the diaspora back to their lands of origin in old age. (Parekh 2005; Claval) In short, it is the forces of globalisation that brought forth this change.

As far as India is concerned, multiculturalism is not a new reality, unlike many other countries in the world. In fact, the concept is akin to the very fabric of Indian society. With diverse cultures, languages, religions and communities, multiculturalism has its reflections in every sphere of social life in the country. (Koshy, 2009) The idea of India as captured in the Indian Constitution itself is as 'an egalitarian, multi-cultural society which is established in rule of law, human

dignity and harmonious co-existence of diversity in all its forms, hues and shades'. (EOCReport, 2008)

The question of multicultural societies with their inherent diversities moving forward as a nation is just the tip of the iceberg, the integration of different groups as a coherent and strong entity is much more serious. This brings it down to the cardinal question: How far is multiculturalism reflected in the public sphere? How multicultural are the workplaces and how far adoption of diversity as a policy and an enterprise culture being penetrated to those enterprises which constitute the largest block in the enterprise pyramid, i.e., micro, small and medium enterprises?

Sources of Multiculturalism

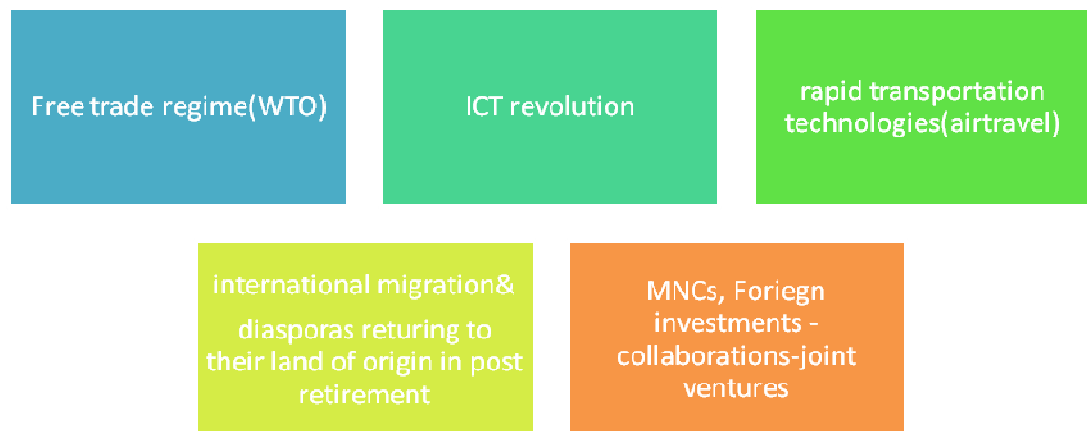


Figure 1: Sources of Multiculturalism

Rationale for adopting diversity at enterprises level

There is a growing realization among companies about the need to fine tune their HR policy in alignment with the rapidly growing diversity and multiculturalism. The focus thus, is on building multicultural teams and inculcating diversity as an organisational value, so as to appreciate and empathise with other cultures.

Herein arise the need for analysing these trends more carefully: Why is multiculturalism being adopted as a leading corporate value? What are the rationality behind it in terms of profit generation and operations of a business? How are large corporates managing diversity? What are the lessons for Indian Micro, Small and Medium Enterprises? And why should MSMEs take them into consideration?

With markets becoming integrated and boundaries dissolving, companies can now reach out with ease to customers of diverse cultural backgrounds from around the world. Also, with the proliferation of globalization, economic cooperation between private sector companies around the world has been accelerated, resulting in foreign investments, joint ventures, mergers & acquisitions, the opportunity for companies to go global and the presence of multinational companies with multicultural teams. All this has led to increased diversity at worksites.

Cultural awareness was considered an important prerequisite for employees going on international assignments, earlier. But in today's interconnected global marketplace, it is a prerequisite not just for those who are on international assignments but for others as well, since all of them are stakeholders in the global market, which is multicultural. Even if an employee is not required to leave his/her desk, cultural awareness is considered necessary. Consider for instance, an

employee in a multinational company or a joint venture with foreign participation or in an outsourcing company that has sourced its work from other countries with alien cultures, who would need to be culturally alive and sensitive at every point. Cultural competence and cultural literacy are very crucial in the global market place, both for companies as well leadership. In a Survey conducted among 107 multinational organizations by *RW3 and ORC* worldwide, 95 percent of the respondents agreed that cultural competency is an important or very important skill for businesses. The survey also found that 85 percent of the larger organizations that participated in the study provide some form of cross-cultural training, to equip workers and the management with skills to tackle diversity at the workplace. (Wickman, 2008)

In this scenario, an undeniable fact is that, multicultural worksites are a reality, not a matter of choice, in the context of globalisation. It is also to be noted that there is an increasing recognition about the need to pay attention to the challenges and opportunities associated with this growing trend towards multicultural work forces as a key factor in overall success of a business. (CoxJr, 2008)

Taylor Cox opines that the focus of organizations should be to develop an environment where diversity can thrive, than become a potential drag on performance (CoxJr, 2008). According to Lennie Copeland, though diversity is one of the most serious issues in the workplace today, most employers are not equipped to deal with it. This is chiefly because managers grew up having little or no exposure to other cultures, and very often ‘culturally deprived.’ As a result, they lack the necessary training to handle situations that arise in today’s

multicultural settings. (Copeland, 2006). Despite claims by companies that diversity is a priority, few companies have a clear understanding of what diversity means. (Burns, 2008)

India, with its tremendous diversity, stands first among nations with its much hyped contradictions. This being the case, the caste, creed, community and language proclivities of an employer in India could invariably reflect in the recruitment and HR policies of an organization. But such prejudices, when assuming overwhelming proportions, could be detrimental to peace, progress and development, and above all, national integration.

Multicultural workforce and managing diversity at workplaces

The Oxford Dictionary defines the word multicultural as ‘including of people of several different races, religions, languages and traditions’. (Oxford Dictionary, 7th Edition, 2005). Diversity is generally defined as acknowledging, understanding, accepting, valuing, and celebrating differences among people with respect to age, class, ethnicity, gender, physical and mental ability, race, sexual orientation, spiritual practice, and public assistance status. (Kelli A. Green, 2002). Multicultural work force is one wherein a company's employees include members of a variety of ethnic, racial, religious, and gender backgrounds whereas managing multicultural workforce goes further, and focuses on changing mindsets, organization culture. It's strategy-driven and is seen as contributing to the organizational goals of profit, productivity and morale. (Karunakaran, 2009) The main objectives of managing a multicultural workforce include awareness, education, and positive recognition of the differences among people in the workplace. (Black Enterprise, 2001)

In the global economy, culture plays a significant role. So much so that cultural differences and diversity are no more obstacles to be overcome, but important factors contributing to that 'extra' competitive edge. Cultural literacy is the keyword today and this is what business leadership needs, argues Rosen and Digh. According to them, leaderships should imbibe cultural literacy in order to manage multicultural situations, teams and markets. Cultural literacy refers to a proper understanding and leveraging of cultural differences. A business leader while valuing one's own cultural heritage also has to consider its shortcomings along with the strengths. And he/she need to be an 'inquisitive internationalist', someone who looks beyond one's own culture for business opportunities and resources; 'Respectful modernizer' who retains the best of one's culture while using the knowledge and resources of others to modernize for the future; Culture Bridger who forms alliances and connections across cultures and has to be a global capitalist who brings global resources to local problems and opportunities and local resources to global ones. (Rosen and Digh, 2001)

Studies suggest that larger companies are better equipped to face the challenges of diversity. A study by Society for Human Resource Management (SHRM), conducted among US companies shows that for most of the companies diversity is a vague concept where as larger companies do better in this regard as many of them have outlined diversity principles and have defined business cases in place, tied to explicit diversity goals (Burns, 2008).

Benefits of a multicultural workforce

Companies that create diversity in the workplace are generally more profitable and successful than those who don't. (Jinsoo Terry) The most successful

companies are those that recognize the power of diversity in their workforce. They can effectively create products and services that appeal to their increasingly diverse customer bases. These companies know that diversity will become even more important as market get integrated, hence they would attempt to very well reflect diversity value to the marketplaces they serve. (Forsythe, 2005)

Further, cross-cultural teamwork and collaboration are essential, if people are to function productively, they must learn to see their differences as assets, rather than as liabilities. (Black Enterprise, 2001) Diversity is beneficial to both employees and employers. Employees are interdependent in the workplace; respecting individual differences would increase productivity. There are views such as adoption of diversity as a value in the workplace can bring down possibilities of lawsuits and increase marketing opportunities, creativity, and can enhance business image. In an era when flexibility and creativity are keys to competitiveness, diversity is critical for an organization's success. Also, the consequences (loss of time and money) should not be overlooked. (Kelli A. Green, 2002). Diversity management, while based on cultural change, is a pragmatic business strategy that focuses on maximizing the productivity, creativity, and commitment of the workforce, while meeting the needs of diverse consumer groups. (Black Enterprise, 2001)

The Glass Ceiling Commission report states that diversity is good for business. A 1993 study of Standard and Poor 500 companies showed that firms that succeed in shattering their own glass ceilings racked up stock-market records that were nearly two and a half times better than otherwise-comparable companies. (The

Federal Glass Ceiling Commission , 1995, p.7) Organizations which excel at leveraging diversity, in hiring and promotion of women and non-white men into senior management jobs, and providing a climate conducive to contributions from people of diverse backgrounds, could experience better financial performance in the long run than the non-diversity adhering companies or companies which are not effective in managing diversity (Jinsoo Terry)

Following are some of the attributed advantages of multicultural enterprises (Webguru.com, 2009; Jinsoo Terry; Black Enterprise, 2001; Karunakaran, 2009))

- When an organization understands and honours diversity, a bond forms between employer and employee,
- Marketing opportunities increase exponentially
- Creativity and innovation are stimulated It inspires high level of creativity and promotes innovation in the workplace
- Business image is enhanced and extended beyond traditional borders
- Skill and talent can be attracted from diverse cultures would want to be part of attract and retain the best available human talent, and develop new markets
- It gives a competitive edge.
- Synchronization in workplace and high turnout. Interpersonal-teamwork, problem solving,
- Personal-employee morale, career growth, professional development, increased productivity

- When there is no diversity, it constrains thinking. Differing viewpoints enrich the workplace. It doesn't diminish. It enhances the competitive advantage of a company.

When cultural diversity is acknowledged and honored, managers find new ways to maximize and capitalize on the different skills, styles and sensibilities of employees from different cultures. Valuing and managing diversity is an important key to developing an effective people management strategy and maximizing the contribution of every employee in the workplace (Jinsoo Terry). When a company is recognized for managing a multicultural workforce, it is most likely to attract the best and brightest talent. Qualified candidates are usually attracted to employers who are able to show commitment to developing and promoting a wider array of people. (Black Enterprise, 2001)

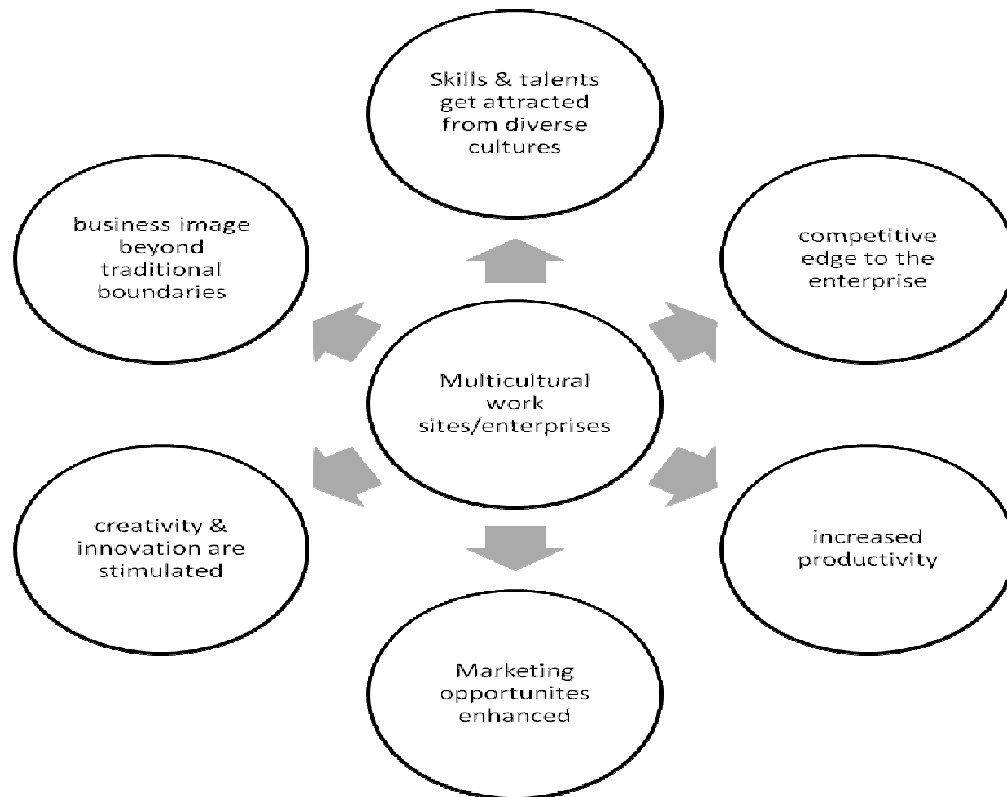


Figure 2 Benefits of Multicultural workforce

Taylor Cox and Stacey Blake put forward six arguments with regard to performance, diversity and multiculturalism. They are Cost Argument; Resource Acquisition Argument; Marketing Argument; Creativity Argument; Problem Solving Argument; Values Argument. (Cox & Blake, 1991 ;CoxJr, 2008) Cost argument is that failure to manage diversity challenges may lead to higher cost structure for firms by contributing higher interpersonal conflicts and more miscommunication. Resource Acquisition is that firms, if are able to hire and manage HR from diverse backgrounds, that would be an advantage compared to those firms that could not do it. Diverse HR can do a better work with regard to

marketing its products in multicultural market is the marketing argument. Other arguments are Creativity, problem solving and Values arguments.

As the value of diversity continues to grow in business communities and elsewhere, recruiting and retaining talented employees who are diverse becomes more important to organizational success, profitability as well as sustenance itself.

Industry adoption and perspectives

A number of companies in the US have pioneered in taking a lead with regard to adopting multicultural and diversity friendly HR policies. They include Procter and Gamble, Digital Equipment Corporation, Avon, Xerox, Mobile, Honeywell, Colgate-Palmolive, and Ortho Pharmaceutical. (Lankard, 1990) Google has successfully incorporated the concept of multiculturalism in its work places, which has enabled it to promote innovation. Half of Google's total employees at its Mountain View headquarters in the US are from overseas. In this sense, Google's Mountain View office could be termed as a perfect showcase of multicultural workforce and management. (Webguru.com, 2009)

Working together towards peace: an initiative by Israeli and Palestinian enterprises

People from different cultural backgrounds in a conflict ridden region working together may help build peace and strengthening peace processes there. Joint Venture for Peace a project initiated by Shorouq Society for Women and Institute for Strategies of Peace and Development – NISPED of Israel, with the support of the Canadian government. *This unique project* brings together Palestinian and Israeli women entrepreneurs and artists 'to work as equal partners and create a

unique discourse on peace' according to Julia Chaitin, Project Director of Ventures for Peace. (Chaitin, 2009)

In this experiment, collaborative arrangement at small enterprise level, between Israel and Palestinian women entrepreneurs is expected to make contribution in a region to enhance understanding between two groups of people.

The India Experience

Of late, Indian corporate houses have started thinking of making their workforces more representatives of India's vast diversity and demographic profile. Accordingly, terms such as positive discrimination, affirmative action program by the private sector are slowly being recognized. Though the private sector has a sluggish approach to this at the moment, the push and shove by the State's diversity enhancing policies are fast propelling it forward. However, it is not a response to the possible accrued benefits that they may gain, but mostly as a corporate social responsibility initiative.

A recent initiative by a leading corporate house, the Tata Group is worth mentioning here. They undertook detailed survey to do a caste profiling of its workforce, says an *Outlook Business* article. The group was not even aware that their company was far away from having a workforce that is diverse. Caste profiling survey helped the Tatas realize the reality. As they realized this imbalance, group now started taking corrective measures to neutralise caste imbalances by hiring, training and integrating Dalits into its companies like never

before, and put in place a “positive discrimination” policy. With this positive discrimination policy, the Tatas hope, Dalits and other previously excluded sections would find their rightful place in the workforce or are no more excluded.

(Karunakaran, 2009)

With many of the Indian companies going global, there was a fast growing realization for a better HR preparedness to face the challenge. Tata Consultancy Services, a leading IT and IT Enabled Services provider, has more than, 100,000 workers in the first quarter of 2008, from 64 different nationalities. And 9.2 per cent of all of them are foreign nationals. (TCS, July 2008) Similar is the case with other Indian IT & ITES giants like Infosys, WIPRO etc. Infosys for instance initiated a program called Global Talent Program (GTP), through which it recruits citizens of other countries from wherever it operates. (Infosys, 2006)

Educational expansion and empowerment: With India’s diverse groups of communities from different cultural backgrounds getting empowered and achieving educational attainments, it’s going to be the MSMEs that they would be absorbed in, since MSMEs are the largest employment generation sector in the country.

Expatriates, Mergers and Acquisitions and Foreign Investment & Joint ventures: There are increasing number of foreign workers taking up jobs in India’s diverse industrial sectors, both service and manufacturing enterprises especially in BPO, pharma and several other technology sectors. The trend of foreign nationalities coming and working in Indian IT, Pharma, engineering, telecom, finance, FMCG, automobile, steel and host of other high end technology driven sectors as experts, consultants as well as full time workers is the trend today . According to a study Indo American Chamber of Commerce (IACC) 11.3 million jobs are created

every year in India which calls for the need to ease visa procedures so that the industry can tap into the resource of highly skilled expatriates. (DNA, 2007) Further, the increasing number of mergers and acquisitions that take place regularly make Indian worksites more multicultural. Foreign students being absorbed as interns in various Indian companies also contributes to this.

As the Indian companies interact with global companies, a large number of mergers and acquisitions are happening in these times.

Also, today, there are non-Indians working in Indian IT companies around the world as well as with migration, a large number of them working around the world in diverse cultural environment.

Government initiatives to promote multicultural worksites

Positive initiatives from the State as well as from the private sector to address the concerns in this regard, to make worksites more reflective of salient demographic features of India and more representatives.

- Reservation in the State sector: Government of India brought in reservation in the State sector on the basis of Mandal Commission Report. This initiative helped previously excluded social groups an entry into the State sector and thereby State sector reflect India's diverse demographic pattern. Bhaumik & Chakrabarty observes that earning differences between "upper" castes and SC/ST have declined between 1987 and 1999. Also Mondal Commission could bring more people in to formal sector. (Bhaumik &Chakrabarty, 2006)

- Sachar Committee recommended for providing 'incentives for improving diversity', and suggested that companies providing opportunity to all communities should be branded as 'Equal Opportunity Institutions' and should be eligible for government incentives. It said such initiatives on diversity should be part of the 'corporate social responsibility' and that some affirmative action can help initiate the process. (MandalCommission; Chauhan, 2006)
- Several leading companies have reported employment of Dalits. Software leaders such as Infosys have taken up special programmes to train SC/ST candidates. Assocham, Ficci and CII have reportedly taken up a slew of actions, including the creation of a corpus for skill enhancement, adoption of industrial training institutes and using advocacy to promote affirmative action. CII and ASSOCHAM have finalized a Code of Conduct on Affirmative Action being followed by its members. There was also agreement that an Ombudsman with regional benches would be set up by each apex chamber to monitor the compliance of the voluntary Code of Conduct by its members. (PMO, 2007)

Though there are such positive responses, many support a quota system since there exists historical and chronic resistance to affirmative action among most employers. (Reddy, 2007) However, positive discrimination and affirmative action programs for private sector in the days to come is expected to make the Indian companies much more multicultural.

- Proposed Diversity Index: Ministry of Minority Affairs has crafted a 'diversity index', which the enterprises have to deploy to measure

diversity performance. This would help the government to effectively link tax concessions, funds and various other subsidies and incentives that the State often gives to the industry. The quantum of incentives for a particular company may be decided on the basis of its score on the index. A diversity index is basically a rating of an organisation at the micro or national level based on its employment profile and the Diversity Index would cover three essential dimensions (a)religion, (b) caste and (c) gender. (Karunakaran, 2009 ; Diversity Index Report , 2008)

Indian multiculturalism, labor diversity: facts and realities

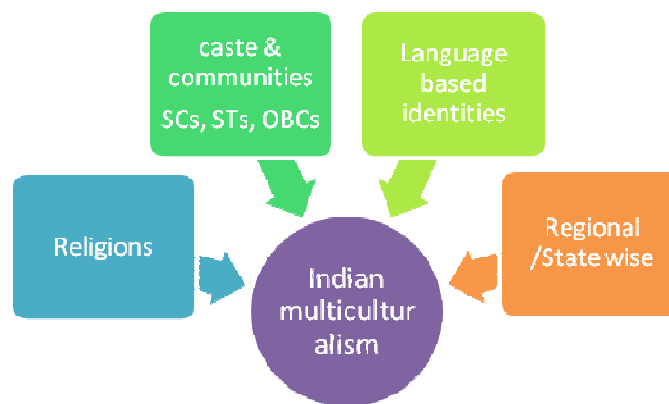


Figure 3

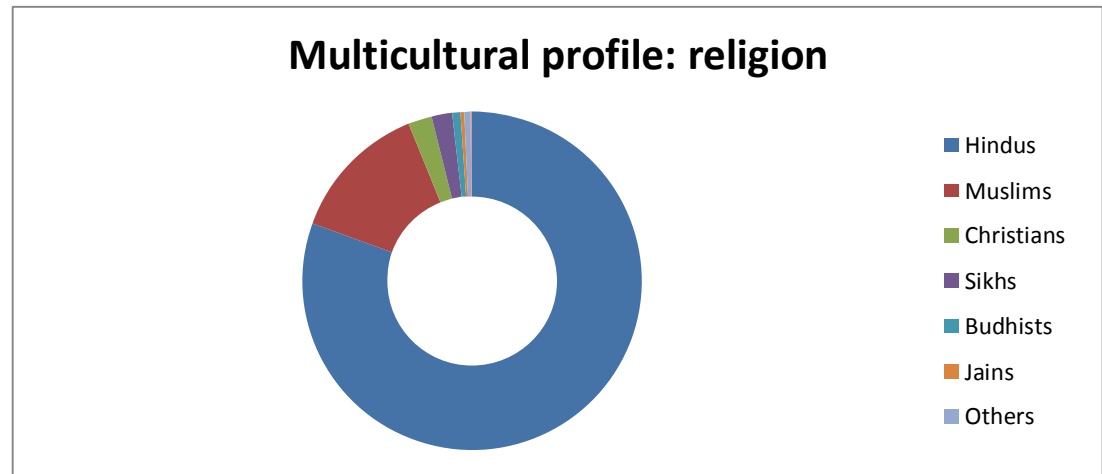


Figure 4

However, as can be seen throughout, there are counter voices to a multicultural existence throughout. For instance, under the leadership of the Thackeray clan in India's economic nerve centre, Mumbai, violent attacks were carried out against North Indian migrants, the South Indian population, as well as Gujaratis at various points in time. (LYLA BAVADAM , 2008; Koshy, 2009) In one such incident, party workers of the Maharashtra Navanirman Sena belonging to Raj Thackeray attacked North Indians who arrived in Mumbai to sit for the Railway Recruitment Board examinations. (IndianExpress, 2008 Oct 19). It would therefore, not be wrong to say that riots, violence and hatred between communities is part of India's multicultural existence. Some glaring, obvious examples are the Bombay riots of 1990s, anti-Sikh riots of 1984, Gujarat riots of 2002, Orissa attacks against Christians and several other minor and major violence between minorites, majorites and between other communties. (Puniyani, 2004; Nussbaum, 2007). Rajeev Bhargava terms this 'the majority-minority syndrome' which 'divides the nation, breeds hierarchy, mindlessly detracts from welfare and development and

would potentially turn the country into an economic wasteland' (Bhargava, India's majority-minority syndrome, 2002)

There have been cases as we could see, of violence and hatred being expressed publicly by opposing communities on different occasions and at times in India, against job seeking migrants from underdeveloped regions to developed cities such as in the case of Mumbai in Maharashtra. There exists disparities between different social groups, religious communities and others as far as their work participation goes. These factors, traditional aspects that cause Indian work spaces to be exclusive enclaves for those at the upper pyramid, thereby limiting the entry of a large chunk population, are being analysed in the following section.

Economic exclusion: Social institutions that prevents diversity at worksites

According to Throat, the roots of exclusion at worksites lies in the social system, and discrimination would affect a whole group in a society with certain caste or class identity, independent of the income, productivity, or merit of individuals within a group. As the basis for exclusion is group identity. (Thorat, 2007) Hence, such systemic factors often come as a challenge for Indian enterprises on their path to adopting multicultural labour strategies. Caste system is indeed a barrier in this regard and has a significant role in limiting our workplaces to be more homogenous .. Occupations are organised on the basis of caste. Majority of the work in areas where physical labour, construction, sanitary related, cleaning, and sewage removal etc often left to those at the bottom of the pyramid, SCs, STs and others. Traditionally, some of the sectors such as leather, recycling industries, bidi labour etc and in some of the craft industries such as brassware, glassware, cotton

and silk embroidery and the making of perfume etc are considered to be dominated by Muslims. (Harriss-White, 2002; Action Aid Report, 2006)

Maitreyi Bordia Das in a study on minority status and employment outcomes brought forth her observation regarding minority and ethnic enclaves by Muslims and Dalits in India to avoid labor market discrimination. (Das, 2008) This study highlights a general lack of openness to embrace multiculturalism at every level. The prevailing perception is that an IT or an ITES industry for instance, which is currently focussed in the cities and could draw its workforce from cosmopolitan set can often have a population mix, and is therefore, multicultural. However there are studies that suggest a different case. For instance, Vigneswara Ilavarasan's study titled "*Is Indian software workforce a case of uneven and combined development?*" observes that The Indian IT workforce appears to be homogeneous and there is not much diversity as it appears to be the case. According to him, in every IT organisation, an average worker is a male, and comes from urban or a semi-urban locality and mostly follows Hinduism, and belongs to the upper socio-economic stratum of Indian society. (V. Ilavarasa 2008) In another survey conducted among Bangalore's IT workers Carol Upadhyia found that IT sector workers are predominantly urban, middle class, and high or middle caste. In the study conducted among 136 IT/ITES employees, the researcher noticed that 88 per cent of respondents were Hindus while only 5 per cent Christians and 2 per cent Muslims. And Brahmins constituted 48 per cent of the sample. (UPADHYA, 2007)

Why should MSMEs adopt diversity policy?

India has a very large and widely dispersed and vibrant MSMEs. They are both in the organized and unorganised sector. The organised sector comprises enterprises for which the statistics are available from the budget documents or reports etc.(Ministry of Labour, GOI) On the other hand the unorganised sector refers *of all unincorporated private enterprises owned by individuals or households engaged in the sale and production of goods and services operated on a proprietary or partnership basis and with less than ten total workers.* (NCEUS, 2007). The Central Statistical Organisation uses the term organised enterprise as small units with ten or more workers with power or 20 or more workers without power for the manufacturing sector. (NCEUS, 2007)

Within the organized sector there are registered as well as un-registered enterprises, together they comprise more than 13 million enterprises, the largest employers in the organized sector in the country.

The organized sector, comprises approximately 4.4 million manufacturing enterprises in 2001-02. (3rd SSI Census, 2001-02) These enterprises together produce about 8,000 items and provide employment to nearly over 31 million people. Put together, these enterprises reportedly account for 40 percent of Industrial production (equivalent to 8 percent of the GDP) (Sarkar, 2003) . The sector has some 9.1 million unregistered enterprises. Altogether, SME sector constitutes 95% of industrial units and 40% to the total industrial output and contribute 35% to direct export. (3rd SSI Census, 2001-02)

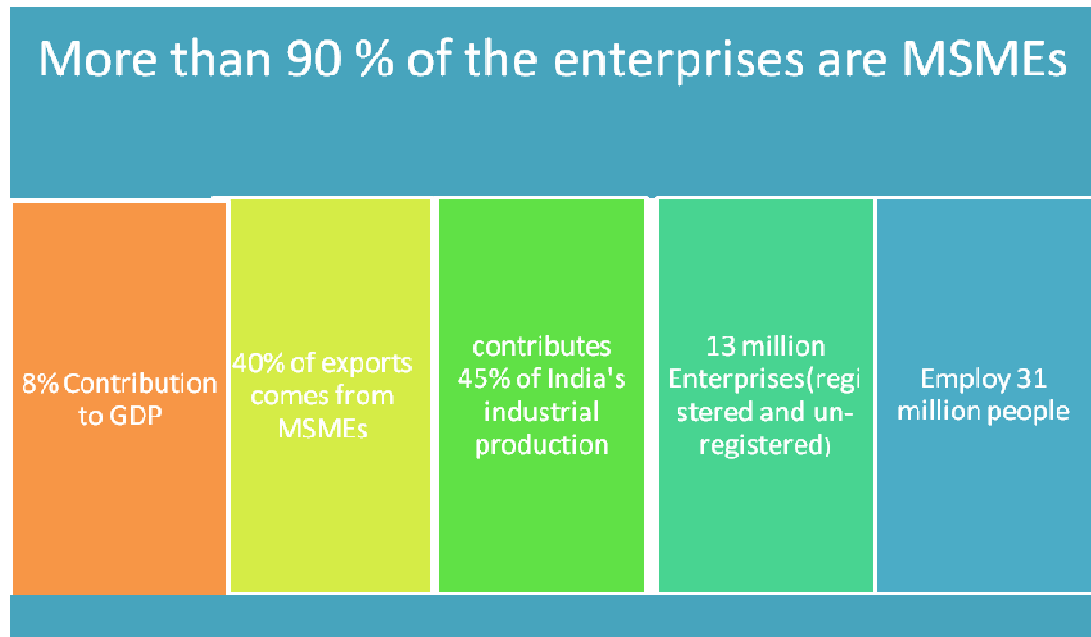


Figure 5

Clusters: seen as an extension of caste & identity- based system: Promotion of clusters in recent times needs to be seen in the context of it as diversity inhibiting industrial enclave. Also as islands where there is less multiculturalism at workplaces? Studies are suggestive of the fact that castes-based industrial clusters lead the nation's industrial development. According to a UNIDO report out of the 370 small scale industrial clusters and 2600 artisan-based clusters, which generates 70 per cent of India's industrial output, 66 per cent of exports, and 40 per cent of employment, only 13 were government-sponsored. The rest had evolved out of the caste/community-based network. (Gurumurthy, 2009;UNIDO, 1999).

Secondly, globalisation has opened up opportunities for MSMEs to forge linkages with large enterprises, including MNCs. This, however, would call for reorienting business operations and adopting dynamic approaches to interact with

businessmen of diverse culture. In fact, the survival of MSMEs in the merciless globalised market largely hinges on their ability to quickly appreciate the requirements of market. Some enterprises have already forged relations with MNCs and large enterprises by acting as vendors in segments like automobile, electronics, readymade garments, etc.,. Thirdly, permitting of up to 24% of foreign Investment in MSME sector has opened up further possibilities for more cultural interaction on a massive scale. This is resulting in the formation of joint-ventures, foreign investment in the SME sector especially in the products that are reserved for SMEs.

Lastly, International Cooperation among MSMEs from around the world, is increasingly being promoted. Ministry of MSMEs, GOI, to promote international cooperation has signed Memorandum of Understanding(MoUs) with ten developing nations..(MSME Ministry, 2009) Promotion of international collaboration between MSMEs is the intent of International Cooperation scheme, through which government is facilitating joint venture projects, exploring new areas of technology infusion/up gradation, improving market of MSMEs products, foreign collaborations. (MSME, International Cooperation Scheme).

In the context of global market, MSMEs face several challenges. One among them is marketing of its products and reaching out to the global market in an effective manner. Here MSMEs need to emulate the style of larger players who have successfully adopted diversity and multicultural HR strategies to leverage an edge over the competing firms.

Though we are aware of India's demographic profile it is to be noted that no sufficient data is available for an accurate multicultural profiling of Indian

workforces and work sites, especially within the private sector and the Micro, Small and Medium Enterprises sector, where majority of Indians work.¹ And data on diversity that is available is limited to women participation alone, and that stands at 13.31 % on an all India level, as per the 3rd census of Small Scale Industries by the D.C of SSI, 2001-02. (3rd SSI Census, 2001-02).

But from the discussions above, in the backdrop of earlier studies conducted among the technology-knowledge workforce, coupled with observations on clusters and existence of minority and caste enclaves, the grim reality emerges that Indian MSMEs need to address the question of diversity more seriously as they are confronted with the challenges of globalisation. And they need to equip themselves to confront diversity management issues in this everexpanding multicultural global market space.

When MSMEs are encouraged to adopt a diversity oriented human resource policy, and give importance to multiculturalism in recruitment that would help improve the image of an enterprise and further result in economic empowerment of minorities, Scheduled Castes, Scheduled Tribes and other socially and economically excluded groups. In addition this would also increase marketing opportunities and stimulate creativity and innovation.

Conclusion

1. Adoption of diversity practices would help companies (MSMEs) help project themselves as a company that upholds multiculturalism. This would help generate a positive image in the global market.

¹ In an address to a National Conference organized by Confederation of Indian Industries (CII) Prime Minister called upon the industry to do a assessment of the employee profile

2. Customer base for the companies especially for Small and Medium sized players are no more limited to the local and India alone but its global in scale, hence a diversity company can win additional leverage from this and would act as a positive factor.
3. If diversity helps in better marketing in the global market, it as well works favourably for the Indian market. This would reap the benefit of India's multicultural customer base for MSMEs.
4. While MNCs such as Procter and Gamble Pepsi etc make strong strides in the Indian market and reach out to the vast customer base by adopting diversity policies, MSMEs need not get sidelined by not adopting diversity policies and HR practices and increasing workspace diversity.
5. By adopting a diversity and multicultural friendly policy MSMEs would be able to consolidate their presence, market themselves better and enhance their profit.
6. Presence of a diverse team means, the team would be better positioned to device suitable products and services that are required for a market with such huge diversity as Indian market.,
7. It is also to be noted that various rural development programs and employment guarantee schemes of the government and such efforts in the past to generate jobs in the rural India have enhanced the income level of socially deprived sections. To tap the diverse rural Indian

market, it is imperative for companies to adopt multiculturalism and diversity strategies.

8. Multiculturalism in MSMEs also means poverty reduction and inclusive growth, as with this more minorities and disadvantaged sections would now find a place in the job market as it can end discrimination. Peace, progress, less strife, better understanding between different communities also would result in as more and more people start interacting and get acquainted with. Cultural exchanges further reduce tension and improve understanding between communities.

Following are reasons, as discussed, as to why Indian MSMEs need to consider in conjunction with arguments for multicultural workforce and teams as presented here above.:

- The global market however, is multicultural, as are modern consumers. Therefore, it is needless to say, customers would find it easy dealing with a company or organisation equipped with employees who can deal with a diverse and eclectic customer base, as they would understand diversity better, communicate accordingly and work things effortlessly in such a way as to benefit the company and the customers.
- With every passing day, Global market is getting extended and possibilities and opportunities that it throws open are also growing. With Information and Communications Technology, for instance, reach of the market is also getting expanded. With that customers are becoming more multicultural. When a company, small or big that may be, as it can reach out to the global market, is indeed serving a multicultural clientele. Hence

a company that has a multicultural workforce could be at an advantageous position than the one which doesn't have.

- Multicultural team would help MSMEs to really focus on the needs of global market as well as domestic which are intensely diverse.
- enhanced innovative atmosphere at worksites,
- Marketing potential, competitive edge etc. National Integration, peace, harmony are other benefits that is attributed by promoting multicultural workforce among MSMEs.
- Also, this would help empower minorities, scheduled castes, scheduled tribes and bring about an inclusive growth. Further, this would also bring more growth when MSMEs gain a competitive edge with multicultural teams at its work places.

But for making MSME worksites more multicultural, the key is to make employers become more aware of the need for multiculturalism, so they can implement it voluntarily. To do this, the government must, of course, provide incentives to industry, trade and business establishments. Encouragement and promotion of companies that practices an inclusive labour policy may be given priority and preferential treatment be given to these while dealing with the regulatory agencies.

Meanwhile, positive incentives like tax exemptions can also be considered. In addition, loan disbursements can be made on better terms for those abiding MSMEs.

Most importantly, the propagation of this concept in an extensive manner through trade, industry associations and chambers has to be done on a priority basis, since this would make an impact.

MSME ministry may consider collection of data for making appropriate multicultural profiling of organisations along with MSME Census when it undertakes the next exercise.

However, the benefit that the nation would gain from such an initiative, i.e., promoting a multicultural labour force, would be, in the long run, something that one cannot imagine.

Acknowledgement

Author thankfully acknowledges the suggestions and comments received from Mr. V.N Prasad, former Senior Economic Advisor, World Association for Small and Medium Enterprises, WASME and Prof. Paul G Hare, Heriot-Watt University, Edinburgh, United Kingdom.

Works Cited

MandalCommission. *Backward Commission Report*. New Delhi: Ministry of Social Justice, Retrieved from :
<http://www.socialjustice.in/documents/Documents/II%20Backward%20Commission%20Report%20-%20Recommendations.pdf>.

3rd SSI Survey. (2001-02). *Third All India Census of Small Scale Industries 2001-2002*, Development Commissioner(SSI), Ministry of Small Scale Industries, Government of India, New Delhi. New Delhi.

Action Aid Report. (2006). *Report on the Socio-Economic Conditions of Muslims in India*. New Delhi: Action Aid.

Bhargava, R. (2002, September 7). *India's majority-minority syndrome*. Retrieved July 4, 2009, from OPEN DEMOCRACY:
http://www.opendemocracy.net/conflict-india_pakistan/article_691.jsp

Bhargava, R. (2004, November 3). *India's model: faith, secularism and democracy*. Retrieved July 3, 2009, from Open Democracy:
http://www.opendemocracy.net/arts-multiculturalism/article_2204.jsp

Bibhu Ranjan Mishra. (2009, June 2). *Recession hits small IT and BPO firms*. Retrieved June 19, 2009, from <http://www.business-standard.com/>:
<http://www.business-standard.com/india/news/recession-hits-small-itbpo-firms/359813/>

Black Enterprise. (2001, July 1). *Managing a Multicultural Workforce*, *Black Enterprise Magazine*, (<http://www.blackenterprise.com>). Retrieved June 29, 2009, from http://findarticles.com/p/articles/mi_m1365/is_12_31/ai_75754166/

Blake, T. C. (1991). *Managing cultural diversity: implications for organizational competitiveness*. Academy of Management Executive.

Burns, R. (2008, December 26). *What Does Diversity Mean for Employees?* *Black Enterprise Magazine*, <http://www.blackenterprise.com>. Retrieved July 3, 2009, from
<http://www.blackenterprise.com/diversity/2008/12/26/what-does-diversity-mean-for-employees-2>

Census of India. (2001). New Delhi: Office of the Registrar General & Census Commissioner, India.

Chaitin, J. (2009, November). *Joint Ventures for Peace: Women Creating Peace*. Retrieved January 14, 2010, from <http://samadhanfoundation.com>:
<http://samadhanfoundation.com/joint-ventures-for-peace-women-creating-peace>

Chakrabarty, S. K. (2006, March) *Earnings Inequality in India: Has the Rise of Caste and Religion Based Politics in India Had an Impact?* IZA Discussion Paper No. 2008
<http://repec.iza.org/RePEc/Discussionpaper/dp2008.pdf>).

Chauhan, C. (2006, November 30). *Affirmative action, not quota, in private sector*. *Hindustan Times* .

Claval, P. (n.d.). *MULTICULTURALISM AND THE DYNAMICS*. Retrieved May 10, 2009, from *DIALOGUE AMONG CIVILIZATIONS*:
<http://www.unu.edu/dialogue/papers/claval-s2.pdf>

Copeland, L. (2006, December 31). *Managing a multicultural workforce: Good intentions often fall short in today's world*. Retrieved June 2009, 2009, from <http://www.jobjournal.com/thisweek.asp?artid=1888>

CoxJr, T. (2008, February 11). *An Update on the Relationship between Workforce Diversity and Organizational Performance*. *Synergy by diversity* . Bertelsmann Stiftung, Berlin, European Year of Intercultural Dialogue 2008: Accessed on June 10, Retrieved from http://www.bertelsmann-stiftung.de/bst/en/media/xcms_bst_dms_23946_23996_2.pdf.

Das, M. B. (2008, June). *Minority Status and Labor Market Outcomes: Does India Have Minority Enclaves?* *Policy Research Working Paper 4653* . World Bank.

Digh, R. R. (2001). *Developing Globally Literate Leaders*. Retrieved on 5 July 2009 from http://www.astd.org/NR/rdonlyres/DAC92C65-5F57-425C-94EE-960628E9854E/0/leadership_article.pdf: <http://www.astd.org/>.

DIVERSITY INDEX . (2008). *Report of the Expert Group to Propose Diversity Index workout the Modalities of Implementation*. New Delhi: Ministry of Minorities Affairs, Government of India.

DNA. (2007, July 11). Stringent laws dissuade foreigners from working in India: IACC. *DNA Daily, Mumbai* (www.dnaindia.com) , pp. Retrieved from: http://www.dnaindia.com/india/report_stringent-laws-dissuade-foreigners-from-working-in-india-iacc_1109315.

EOCReport. (2008). *EQUAL OPPORTUNITY COMMISSION: WHAT, WHY AND HOW?* New Delhi: Ministry of Minority Affairs, Government of India.

Forsythe, J. (2005). *Leading with Diversity*. Retrieved on July 5 2009 from <http://www.nytimes.com/marketing/jobmarket/diversity/index.html>: New York Times.

Gurumurthy, S. (2009, January 8). Is caste an economic development vehicle? *The Hindu* , Retrieved from : <http://www.thehindu.com/2009/01/19/stories/2009011955440900.htm>.

Harriss-White, B. (2004). India's Informal Economy : Facing the Twentyfirst Century ch 11 n. In (. K. basu, *India's Emerging Economy* (pp. pp 265-292). MIT Press.

Ilvarasa, V. (2008). Is Indian software workforce a case of uneven and combined development?

IndianExpress. (2008 Oct 19). MNS, Sena attack north Indian Rly exam candidates. pp. <http://www.indianexpress.com/news/MNS--Sena-attack-north-Indian-Rly-exam-candidates/375525>.

Infosys. (2006). *Global Talent Program*. <http://www.infosys.com/newsroom/press-releases/2006/gtp-factsheet.pdf>: Infosys Press release.

Jinsoo Terry. (n.d.). *Benefits of Diversity in the Workplace*". Retrieved June 15, 2009, from AGC Seminars: http://agcseminars.com/benefits_of_diversity.htm

Karunakaran, N. (2009, May 2). *Bite the Caste Bullet*. Retrieved June 22, 2009, from Business Outlook:

<http://business.outlookindia.com/inner.aspx?articleid=2672&subcatid=386&editonid=73&catid=1>

Kelli A. Green, M. L. (2002, JUNE). *Diversity in the Workplace: Benefits, Challenges, and the Required Managerial Tools*. Retrieved JUNE 20, 2009, from Publication #HR022: <http://edis.ifas.ufl.edu/hr022>

Lankard, B. A. (1990, Office of Educational Research and Improvement, Washington DC). The Multicultural Work Force. *ERIC Clearing House on Adult, Career and Vocational Education: Trends and Issues Alerts* .

LYLA BAVADAM . (2008, Volume 25 - Issue 04 Feb. 16-29). A Thackeray act . *Front Line* , p. Retrieved from : <http://www.hinduonnet.com/fline/fl2504/stories/20080229501102600.htm>.

Malhoutra, M. (n.d.). *Multiculturalism: the Historical Indian Experience*. Retrieved July 5, 2009, from <http://www.casaasia.es/dialogo/pdf/malhoutra.pdf>

Meyer, D. B. (2009). Religion, Culture and Entrepreneurship in India. *IPAA 2009 International Public Affairs Conference*. Indiana University, Bloomington.

Ministry of Labour, Govt. of India. *INFORMAL SECTOR IN INDIA*. <http://labour.nic.in/ss/INFORMALSECTORININDIA-ApproachesforSocialSecurity.pdf>: Accessed on 3rd November 2009.

MSME International Cooperation Scheme. (n.d.). *International Cooperation Scheme Guidelines*. Retrieved June 13, 2009, from msme.gov.in: http://msme.gov.in/guidelines_schemes.pdf

MSME Ministry. (2009). *International Cooperation* . Retrieved June 13, 2009, from msme.gov.in: http://msme.gov.in/msme_intcoop.htm

NCEUS. (2007). *Report on Conditions of Work and Promotion of Livelihoods in the Unorganised Sector*. New Delhi: National Commission for Enterprises in the Unorganized Sector.

NSS 61st ROUND. (March 2007). *Employment and Unemployment Situation among Major Religious Groups in India 2004 – 2005*. New Delhi: Ministry of Statistics and Programme Implementation, Government of India.

Nussbaum, M. C. (2007). *The Clash Within: Democracy, Religious Violence, and India's Future* . Harvard: Harvard Univeristy Press.

Oxford Dictionary. (7th Edition, 2005). Oxford Advanced Learner's Dictionary. Oxford: Oxford University Press.

P.Koshy. (2009, May 10). *GSME NEWS, Multiculturalism*. Retrieved July 4, 2009, from samadhanfoundation.com:
<http://samadhanfoundation.com/multiculturalism-worksites-and-msmes>

Parekh, B. (March 2005). *Unity and Diversity in Multicultural Societies*. Geneva: ILO, International Institute for Labour Studies.

PMO. (2006). *PM's address at the CII National Conference* . New Delhi, Retrieved on June 12,2009< <http://pmindia.nic.in/speech/content.asp?id=312>>: Prime Ministers Office, <http://pmindia.nic.in>.

PMO. (2007). *Progress in promoting affirmative action by Industry reviewed*. New Delhi, Retrieved on June 10 2009, <
<http://pmindia.nic.in/prelease/pcontent.asp?id=619>: Press Release, Prime Ministers Office, July 14 PMO website.

Prashant Gupta, V. S. (n.d.). *Equalising growth in outsourcing :Opportunities For Rural India*. Retrieved June 24, 2009, from 'i4D magazine,<
<http://i4donline.net>>: <http://www.i4donline.net/articles/current-article.asp?articleid=1496&typ=Features>

Puniyani, R. (2004, May 2). *Apportioning The Blame Of Communal Riots* . Retrieved June 24, 2009, from Counter Currents.Org:
<http://www.countercurrents.org/comm-puniyani020504.htm>

Reddy, Y. (2007, July 21). Private sector affirmative action . *The Financial Express* .

Sarkar, A. (2003). Financing Rural Infrastructure for promoting industries and agri business. *Laghu Udyog Samachar*, April-September 2003 .

SMETOOLKIT INDIA. (n.d.). <http://india.smetoolkit.org>. Retrieved May 5, 2009, from <http://india.smetoolkit.org/india/en/content/en/36646/Is-foreign-investment-permitted-in-the-small-scale-sector->

TCS. (July 2008). *Results of Q1 2008-09*.
http://www.tcs.com/sitecollectiondocuments/investors/presentations/TCS_Analysts_Q1_09.pdf: Tata Consultancy Services.

The Federal Glass Ceiling Commission . (1995, March). Good For Business: Making Full Use of the Nation's Human Capital. *A Fact-Finding Report of* . Washington DC, USA: U.S. Department of Labor, Retrieved from <http://www.dol.gov/oasam/programs/history/reich/reports/ceiling.pdf>.

Thorat, S. (2007, December). ECONOMIC EXCLUSION AND POVERTY IN ASIA: The Example of Castes in India. *2020 Focus Brief on the World's Poor and Hungry People* . Washington, DC: IFPRI.

UNIDO. (1999). *GENERAL REVIEW STUDY OF SMALL & MEDIUM ENTERPRISE (SME) CLUSTERS IN INDIA*. Retrieved July 5, 5, from [unido.org](http://www.unido.org), unido website: <http://www.unido.org/fileadmin/import/userfiles/russof/small.pdf>

UPADHYA, C. (May 19, 2007). Employment, Exclusion and 'Merit' in the Indian IT Industry. *Economic and Political Weekly* , 1863-1868.

Verma, H. *ICT adoption in Indian SMEs: Status and Scope*. Confederation of Indian Industry.

Webguru.com. (2009, June 11). Benefits of Multicultural Workforce: Google Shows the Way in US. Retrieved on July 3 2009 from <http://www.webguru-india.com/blog/benefits-of-multicultural-workforce-google-shows-the-way-in-us/>.

Wickman, L. E. (2008). *Study Reports on the Importance of Cultural Competence*. Retrieved on July 5 2009 from <http://www.global-lt.com/resource/2008-09-Executive-Briefings.pdf>: <http://www.global-lt.com/resource/2008-09-Executive-Briefings.pdf>

Yuri Radziewsky. (2008). "*Redefining the Multicultural Agency*" from
THE SOURCE BOOK OF MULTICULTURAL EXPERTS 2008/09. New York:
GlobalWorks Group LLC.