



Diversity management for SME internationalization: Orchestrating the resource diversity

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Résumé :

Le management de la diversité est un élément crucial de la performance organisationnelle, mais le rôle qu'il joue sur l'internationalisation des PME demeure négligé. Sous le prisme de la théorie des ressources et de la théorie de l'orchestration des ressources, cet article offre une nouvelle vision des quatre perspectives du management de la diversité – résistance, discrimination, accès et légitimité, et apprentissage – en portant l'accent sur les pratiques de management associées. Sur un échantillon rassemblant 1348 PME luxembourgeoises, un modèle probit ordonné a été utilisé. Celui-ci révèle que les quatre perspectives de management de la diversité, induisant des pratiques de management distinctes, exercent des effets contrastés sur l'internationalisation des PME. En particulier, seule la perspective d'apprentissage, basée sur des pratiques générales de management au niveau organisationnel (vs. individuel), augmente la probabilité que les PME dépassent les frontières européennes. Ces résultats mettent en évidence la valeur réelle de la diversité et de son management pour l'internationalisation des PME. Ce faisant, des recommandations pouvant aider PME et pouvoirs publics à anticiper la nécessité de manager la diversité pour l'internationalisation sont formulées.

Mots-clés : management de la diversité, perspectives de management de la diversité, pratiques de management, internationalisation, PME.

**Abstract:**

Diversity management is a crucial element of organizational performance, yet little is known about its role in supporting the internationalization of SMEs. Relying on resource-based theory and resource orchestration, this article provides a novel view on four perspectives of diversity management—resistance, discrimination, access-and-legitimacy, and learning—with a particular emphasis on associated management practices. An ordered probit model with a sample of 1,348 Luxemburgish SMEs reveals that the four diversity management perspectives, which induce distinct practices, also exert contrasting effects on the scope of internationalization. In particular, only the learning perspective, based on general management practices at the organizational (vs. individual) level, increases the likelihood that SMEs transcend European borders. These insights offer a better understanding of diversity management as an organizational paradigm; they highlight the actual value of diversity for SMEs' internationalization. Furthermore, the useful recommendations can help SMEs and international support services anticipate the impact of their diversity management efforts on internationalization.

Keywords: Diversity management; diversity management perspectives; managerial practices; Internationalization; SMEs.



Diversity management for SME internationalization:

Orchestrating the resource diversity

INTRODUCTION

Acknowledging the importance of human resource diversity for firms' internationalization efforts (Shen, Chanda, D'Netto, & Monga, 2009), a growing body of international management literature focuses on its effects, especially among multinationals (Lauring, 2013; Lee & Park, 2006). Defined as "the distribution of differences among the members of a unit with respect to a common attribute" (Harrison & Klein, 2007, p. 1200), diversity might be represented by various attributes (e.g., gender, race, experience), with distinct benefits for entering various foreign markets (Hagen & Zucchella, 2014; Lindstrand, Melén, & Nordman, 2011; Mohr & Shoobridge, 2011) and expanding firms' internationalization scope (Laanti, Gabrielsson, & Gabrielsson, 2007; Singh & Point, 2004). But in various studies of these outcomes, small and medium enterprises (SMEs) tend to be neglected (De Jong & van Houten, 2014; Parrotta, Pozzoli, & Sala, 2016; Rivas, 2012), even though their unique characteristics could produce contrasting effects of diversity on their internationalization. On the one hand, SMEs suffer limited resources, including human ones (Aldrich & Auster, 1986; Knight, Madsen, & Servais, 2004), which implies they might be subject to negative or neutral effects of diversity on internationalization, which rarely have been addressed in prior literature (Mannix & Neale, 2005; Williams & O'Reilly, 1998). On the other hand, management is critical to SMEs (Tansky & Heneman, 2003) and might even compensate for a lack of (human) resources, if it involves effective practices. On the basis of some previous research (Jehn, Northcraft, & Neale, 1999; Mannix & Neale, 2005; Williams & O'Reilly, 1998), we argue that it is not diversity *per se* (*i.e.* attributes) that determines organizational performance but rather its management, especially among SMEs.

Along these lines, Shen *et al.* (2009) regret how little research explores diversity management efforts, through effective human resource management, with the assertion that appropriate diversity management can foster competitive advantages, especially for firms that intend "to grow and compete across borders" (Samuel & Odor, 2018, p. 44). But what precisely constitutes effective diversity management for internationalizing SMEs? According to Samuel and Odor (2018), the implementation of diversity management varies from firm to firm, reflecting the



different perspectives identified in prior literature. Dass and Parker (1999) propose a typology of four perspectives on diversity management, on a continuum from total ignorance to consideration of diversity as a source of value creation. By also leveraging resource-based theory (RBT) (Barney, 1991; Barney & Arikan, 2001; Wernerfelt, 1984) and resource orchestration theory (Andersén, 2019; Chadwick, Super, & Kwon, 2015; Sirmon, Hitt, Ireland, & Gilbert, 2011), we propose a novel application of these perspectives, by identifying associated management practices and their roles. That is, the perspectives echo different levels of engagement (Singh & Point, 2004) and represent the implementation (or not) of different management practices (Dobbin & Kalev, 2016; Janssens & Steyaert, 2019; Yang & Konrad, 2011). Using this theoretical foundation, we aim to identify the extent to which different perspectives on diversity management (Dass & Parker, 1999) affect the scope of SMEs' internationalization, according to their implementation of distinct practices. As our central research question, we ask: *What effects do distinct perspectives on diversity management exert on SMEs' internationalization?*

To test our proposed framework empirically, we use data from a unique Luxembourgish survey of managerial practices, as well as official diversity data. The sample includes 1,348 Luxembourgish SMEs. With a classification procedure, we identify practices associated with each perspective. Then we use an ordered probit model to assess the effects of those perspectives on SMEs' internationalization. The results show that the different perspectives on diversity management, based in various practices, exert contrasting effects on SMEs' scope of internationalization. Furthermore, we confirm the positive impact of the learning perspective on diversity management and thus the importance of general management practices at the organizational, rather than individual, level.

In turn, this research contributes to both diversity management and internationalization literature. First, we provide quantitative confirmation that different diversity perspectives lead to distinct outcomes (Podsiadlowski, Gröschke, Kogler, Springer, & Zee, 2013), especially in relation to SME internationalization. These perspectives, which we regard as bundles of practices, provide a deeper, more nuanced view of the effects than has been available in previous studies. Second, we specify the learning perspective on diversity management as the source of notable positive effects (Dass & Parker, 1999; Thomas & Ely, 1996). Specifically, adopting a learning perspective increases the likelihood that an SME crosses European borders. This form of diversity management is a crucial antecedent of SMEs' internationalization. Third,



this research adopts and affirms a global approach to diversity and diversity management with regard to the effect on organizational performance (Nkomo, Bell, Roberts, Joshi, & Thatcher, 2019). Along with these theoretical contributions, this study offers some useful managerial recommendations for SME managers, public authorities, and international support services, which should work to manage diversity through specific practices, moving beyond a focus on attributes themselves.

1. THEORETICAL FRAMEWORK

1.1. FROM ATTRIBUTES OF DIVERSITY TO MANAGING DIVERSITY

Aging populations, the now generally assumed presence of women at work, and increasing immigration trends all increase human resource diversity in industrialized economies (Bleijenbergh, Peters, & Poutsma, 2010). Diversity tends to be approached according to its attributes, often classified by visibility (Harrison, Price, & Bell, 1998; Jackson, May, & Whitney, 1995). That is, surface-level diversity reflects visible attributes, observable at first sight, whereas deep-level diversity pertains to invisible attributes, such as experience, knowledge, or values, that may be communicated through complex verbal and nonverbal interactions (Milliken & Martins, 1996; Shore et al., 2009). Age, gender, or national origin are attributes that constitute surface-level diversity, but as Eagly and Chin (2010) explain, these surface-level attributes also evoke psychological effects at deeper levels. Therefore, as Nkomo *et al.* (2019, p. 509) put it, “theorization should move away from conceptualizing diversity as a broad set of individual differences that can be neatly grouped as surface and deep level, visible and invisible.” The ineluctable link between surface- and deep-level attributes suggests the need for a more global approach, such that diversity cannot be considered without its management (Jehn & Bezrukova, 2004).

Diversity management also has been defined in different ways. Bleijenbergh *et al.* (2010) distinguish narrow definitions that stem from equal opportunity programs versus broader definitions that entail a global approach, beyond visible attributes. D’Netto and Sohal (1999) propose that diversity management encompasses the creation and maintenance of an environment that allows employees to reach their full potential while pursuing organizational objectives. Both Bartz *et al.* (1990) and Maxwell, Blair, and McDougall (2001) adopt a strategic, multidimensional approach that combines various attributes of diversity (e.g., race, culture, ethnicity, gender, age, disability, work experience), such that diversity management is “an asset to work being done more efficiently and effectively” (Bartz et al., 1990, p. 321). Their assertion



relies on the business case for diversity and the value-in-diversity hypothesis (Cox & Blake, 1991), in which diversity management is a new organizational paradigm that “moves beyond a human resource model based solely on legal compliance to one that suggests there is inherent value in diversity” (Gilbert, Stead, & Ivancevich, 1999, p. 65). According to Podsiadlowski *et al.* (2013), a firm’s diversity management determines the effect of diversity on its performance, such as its internationalization.

Previous research that has attempted to understand how diversity management is perceived, implemented, and defined among organizations (Lorbiecki, 2011; Thomas & Ely, 1996) identifies various perspectives (Dass & Parker, 1999; Singh & Point, 2004) that likely have distinct implications for firms’ performance (Jonsen & Schneider, 2011), including internationalization (Richard, Kirby, & Chadwick, 2013). As noted previously, Dass and Parker’s (1999) typology includes four perspectives on diversity management, each of which likely sparks a different strategic response (Singh & Point, 2004). This typology spans all known perspectives on diversity management, including more pessimistic views that tend to be neglected in research:

- (1) With a *resistance perspective*, diversity is a non-issue or threat, so the result tends to be more homogeneity. This perspective fosters a reactive response to diversity questions.
- (2) The *discrimination-and-fairness perspective* acknowledges diversity as a cause of problems. To protect minority groups, a defensive strategy is required. This perspective evokes equal opportunity measures.
- (3) An *access-and-legitimacy perspective* instead indicates that diversity creates opportunities, because with more diverse employees, firm can perform better, such as by accessing new markets (Lorbiecki, 2011; Thomas & Ely, 1996). This approach tends to favor individual development and respect for differences (Singh & Point, 2004), such that the strategic response is accommodative.
- (4) The *learning perspective* recognizes that diversity offers opportunities but also imposes costs. The strategic response is proactive, so managing diversity allows organizations to “internalize differences among employees so that it learns and grows because of them” (Thomas & Ely, 1996, p. 86).



1.2. MANAGING OR ORCHESTRATING DIVERSITY

Nkomo *et al.* (2019, p. 502) cite the RBT as one of the “dominant theoretical lenses for explaining the relationship between diversity and organizational performance.” This theory prioritizes resources, defined as “assets, capabilities, organizational processes, firm attributes, information, knowledge, etc. controlled by a firm that enables the firm to conceive of and implement strategies that improve its efficiency and effectiveness” (Barney, 1991, p. 101). Some resources are strategic; they can create competitive advantages, because they are valuable, rare, imperfectly imitable, and not substitutable (Barney, 1991; Barney, Wright, & Ketchen, 2001). The RBT assigns the task of identifying and making the best use of the resources to the management of each firms, to sustain firm performance and create competitive advantage (Barney & Clark, 2007; Colbert, 2004). This argument clearly applies to diversity management (Jehn & Bezrukova, 2004; Mannix & Neale, 2005). Singh and Point (2004, p. 298) assert that Dass and Parker’s (1999) typology reflects the RBT, especially the learning perspective, in which “the value of people, human capital, can be enhanced by cultural and demographic diversity to provide sustainable and non-imitable advantage.” Similarly, Richard (2000) argues that diversity is a strategic resource that should help the firm access additional experiences, knowledge, and skills. The value-in-diversity (vs. inevitability) hypothesis similarly predicts that the value of human capital is enhanced by diversity (Cox & Blake, 1991).

Even if we use the RBT as an appropriate theoretical framework to consider diversity as a resource that needs to be managed though, the substance of this management, and the concrete practices underlying different perspectives, requires further consideration (Janssens & Steyaert, 2019; Shen et al., 2009). The conventional RBT fails to address concrete actions (Barney & Arikan, 2001; Hansen, Perry, & Reese, 2004); an extension explicitly focuses on “the role of managers’ actions in effectively structuring, bundling, and leveraging firm resources” (Barney, Ketchen, & Wright, 2011, p. 1306). Sirmon *et al.* (2011) use the concept of resource orchestration to address resource-related processes and actions precisely, by highlighting how resources get managed or orchestrated across the firm, at various stages of maturity and levels (Barney et al., 2011; Sirmon et al., 2011). According to Sirmon et al. (2007), those processes and actions can be classified as structuring resources (acquiring, accumulating, and divesting), bundling resources (stabilizing, enriching, and pioneering), and leveraging resources (mobilizing, coordinating, and deploying). Using resource orchestration to exploit firm-specific resources, including diverse human resources (by structuring, bundling, and leveraging them),



means that firms must implement specific management practices (Andersén, 2019; Chadwick et al., 2015).

Previous diversity management literature lists multiple diversity management practices (e.g., mandatory or voluntary diversity training, recruitment tests, quotas, mentoring, self-managed teams, diversity task forces, positive discrimination during recruitment; Dobbin & Kaley, 2016), without linking them to any specific perspective (Shen et al., 2009). Some practices seem in line with a discrimination perspective (e.g., quotas, diversity task forces, positive discrimination during recruitment). The access-and-legitimacy and learning perspectives of diversity management move beyond a diversity program framework, implying more general management (Richard & Johnson, 2001). As Podsiadlowski *et al.* (2013, p.161) suggest, “diversity measures may also be embedded within existing tools for training, personnel development, formalized recruitment, selection and assessment, mentoring, or coaching without being specifically identified.”

From a resource orchestration lens, Dass and Parker’s (1999) four perspectives on diversity management relate to specific bundles of practices. Similarly, Janssens and Steyaert (2019) propose that management practices should be included in any study of diversity-related phenomena. A resistance perspective would lead to a total absence of practices, which might hinder firms’ internationalization. A discrimination perspective would integrate positive discrimination practices, equal opportunities, and affirmative action programs, targeted at helping minority groups. The access-and-legitimacy integrates all types of diversity, whether legally protected or not, and seeks to develop individual potential by addressing additional factors, such as the family situation or work–life balance. Finally, a learning perspective prompts an organizational approach with embedded practices designed to foster organizational learning among individuals. This perspective underlies the value-in-diversity hypothesis and anticipates that diversity will promote competitive advantages by multiplying points of view, increasing creativity, and enhancing decision making (Singh & Point, 2004).

1.3. ORCHESTRATE DIVERSITY FOR INTERNATIONALIZATION

The effect of diversity on firms’ internationalization is a topic of great interest in international business literature. De Jong and van Houten (2014) argue for a positive effect of cultural diversity on the internationalization–performance relationship, and Rivas (2012) confirms a positive effect of functional diversity among boards and top management teams on internationalization. Most studies exclude SMEs though, despite their participation in economic



and social globalization (Mohr & Shoobridge, 2011), suggesting the ongoing need to address diversity in SMEs (Barrett & Burgess, 2008). Among the few available studies, Mohr and Shoobridge (2011) link ethnic diversity to increased internationalization by SMEs; Parrotta *et al.* (2016) also demonstrate empirically that ethnic diversity encourages internationalization. Both Welbourne and De Cieri (2001) and Khan and Lew (2018) indicate that human resource diversity may benefit internationalization and the firm's chances of survival. However, these studies address diversity without accounting for how it is managed.

Diversity management should enable SMEs to orchestrate their limited resource and knowledge bases, even if they lack the means to recruit new team members with relevant experiences, knowledge, and skills (Fletcher & Harris, 2012; Kumar, 2012). Thus they can overcome liabilities of newness (Stinchcombe & March, 1965), smallness (Aldrich & Auster, 1986), or foreignness (Zaheer, 1995). Previous empirical research (Hagen & Zucchella, 2014; Zahra & George, 2002) indicates that internationalization can be analyzed according to three dimensions: speed, scope, and extent. We propose studying the scope of internationalization in relation to human resource diversity, to achieve several meaningful contributions. First, previous research acknowledges a positive effect of some diversity attributes for reaching certain foreign markets (Lindstrand *et al.*, 2011; Mohr & Shoobridge, 2011; Singh & Point, 2004), such that they might expand firms' internationalization scope (Hagen & Zucchella, 2014; Laanti *et al.*, 2007). Second, for SMEs, an international scope offers some critical benefits (Autio, Sapienza, & Almeida, 2000; Sapienza, Autio, George, & Zahra, 2006), because the “successful pursuit of international scope has the potential to produce ... economies of scale, greater returns on investments, and an improved competitive stance” (Dai *et al.* 2014, p. 511). Therefore, we focus on the potential effect of diversity management on SMEs' scope of internationalization. Using Dass and Parker's (1999) four perspectives on diversity management, we consider four ways to orchestrate resource diversity among SMEs, each of which should have different effects on the scope of internationalization.

2. EMPIRICAL METHODOLOGY

2.1. CONTEXT AND DATA

This study was conducted in Luxembourg, which offers several interesting features for examining the relationship between diversity and SMEs' internationalization. First, its economy is dominated by SMEs, which account for 66.6% of employment and nearly 68% of



value added (17% above the EU average).¹ The small size of its domestic market and its open economy makes internationalization a pivotal determinant of firms' growth, especially SMEs (Vermeulen & Barkema, 2002). In 2013, Luxembourg was among the top six countries in terms of international SMEs; its proportion of manufacturing SMEs participating in international trade also was notably high (greater than 3 times the EU average for exporting SMEs) (European Commission, 2014).

Second, diversity is prominent in Luxembourg. Its population consisted of 44.5% foreigners in 2013,² a higher level of national origin diversity than any other European country. The labor market is even more powerfully dominated by foreigners (71.3%), 22.1% of whom are cross-border workers from Belgium, France, or Germany. Age diversity in this workforce also is notable and strongly linked to experience diversity (Breuillot, 2021). From 13.7% in 2003 to 23% in 2013, the employment rate among the older workers (60–64 years) has increased, and similar patterns appear among workers 55–59 years (54.7%, +10%) and 50–54 years of age (79.5%, +11%) (STATEC, 2013). Regarding gender diversity, Luxembourg ranked just above the European average (58.6%) in its female employment rate of 59% in 2012 (STATEC, 2013). The gap between male and female employment (13.5 points) is slightly above the European average (11.2 points).

Third, considering Luxembourg's general population and labor market demographics, diversity appears inevitable for Luxemburgish SMEs (Cox & Blake, 1991, p. 45), implying that their “competitiveness is a priori affected by the need (because of national and cross-national workforce demographic trends) to hire more women, minorities, and foreign nationals.” These firms thus are particularly subject to human resource diversity, which creates an interesting setting for evaluating the effects of diversity management.

For this study, we rely on a survey carried out by the Luxembourg Institute of Socio-Economic Research (LISER) in 2013, specifically to gather information on corporate social responsibility (CSR) strategies (including diversity), managerial practices, and the characteristics and outcomes of Luxemburgish companies. This survey also has informed previous studies of CSR strategies, human resource diversity, and their effects on firm innovation and performance (e.g., Bocquet *et al.*, 2013, 2017, 2019). However, no prior studies address the specific issue of

¹ <https://europaforum.public.lu/fr/actualites/2014/10/comm-rapport-pme-2014/index.html>

² http://www.statistiques.public.lu/stat/TableViewer/tableView.aspx?ReportId=12858&IF_Language=fra&MainTheme=2&FldrName=1



diversity management as it pertains to SME internationalization. This survey included 2,819 firms, according to a stratified sampling technique based on firm size and sector. The sample is restricted to SMEs with 10–250 employees, in line with the European definition,³ representing 1,348 SMEs from all sectors. For analysis purposes, we merged the survey data with administrative data from the social security administration⁴ to obtain sufficiently detailed information about the diversity of the employees (age, gender, and nationality) of each SME. Finally, we used a weighting procedure, based on the inverse of the response rate per stratum, to ensure representative results for the target SME population.

2.2. VARIABLE DEFINITIONS

Dependent variable. The scope of internationalization indicates the concentration and geographical diversification of SMEs' activities in 2013 (Lin, 2012). For *Inter_scope*, we include three outcomes: Firms (1) remain in their domestic market (Luxembourg), (2) penetrate other European markets, or (3) transcend European borders. According to gradualist models and stages theories of internationalization, traditional SMEs (Dominguez & Mayrhofer, 2017; Kuivalainen, Saarenketo, & Puimalainen, 2012) often choose neighboring countries with short psychic distances (Johanson & Vahlne, 1977, 2009). In contrast, early internationalizing firms (EIFs) internationalize soon after their inception and “seek to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries” (Oviatt & McDougall, 1994, p.49). Thus, the international scope of EIFs tends to be wider and more dispersed than that of traditional SMEs, often transcending European borders (Trudgen & Freeman, 2014).

Independent variables. To capture the four perspectives on diversity management adopted by the SMEs we study (resistance, discrimination, access-and-legitimacy, learning perspectives), and in accordance with our theoretical framework, we identify 12 managerial practices that reflect these four perspectives and that were implemented by SMEs in 2012. To account for a wide span of practices associated with orchestrating resource diversity, we include both diversity management practices (Dobbin & Kalev, 2016) and general management practices

³ SMEs are enterprises that employ fewer than 250 persons and have annual turnover not exceeding EUR 50 million and/or an annual balance sheet not exceeding EUR 43 million (https://ec.europa.eu/growth/smes/sme-definition_en).

⁴ <http://www.mss.public.lu/acteurs/igss/>



(Podsiadlowski et al., 2013), which have been identified in prior diversity management literature but never concretely associated with a specific diversity management perspective.

The two dedicated diversity management practices we address are a *mentoring system* and *positive discrimination during recruitment* (Dobbin & Kalev, 2016). These considerations go beyond a traditional framework of diversity management programs and include practices implemented through other management tools, in that they can help manage or orchestrate diversity. Following Podsiadlowski *et al.* (2013), we include worker training practices, such as the *implementation of various training*, providing a *choice of which training to follow to employees*, and *implementation of skills development incentives*. Dass and Parker (1999) insist on the importance of family relationships and work–life balance, so we also include two related practices: *scheduling flexibility* and *extra-legal family benefits*. The prior practices mainly focus on individual potential, but other options involve organizational learning and communication. Diversity opponents assert that it can hinder social integration and increase conflict (Williams & O'Reilly, 1998). To overcome such concerns, practices such as *brainstorming* and *creating discussion spaces* are helpful (Mannix & Neale, 2005). Finally, performance evaluation is an important component of diversity management (European Commission, 2015; Williams & Mavin, 2012); we investigate two individual-level practices, *individual recognition system* and *individual performance bonuses*, and one organizational-level practice, *team performance bonuses* (Yang & Konrad, 2011).

By applying k-means clustering⁵ to these 12 managerial practices (Table 1), we identify four clusters of SMEs; we present the characterizations in the Appendix. As expected, the different groups of SMEs are characterized by different managerial practices, reflecting the four perspectives on diversity management.

Table 1. Variable definitions and clustering

Variable (acronym)	Description	Mean	S.D.
Mentoring	=1 if SME implemented mentoring programs, 0 otherwise	0.201	0.010
Skills_dev	=1 if SME implemented skills development incentives, 0 otherwise	0.422	0.013
Training	=1 if more than 25% of the SME's employees receive training, 0 otherwise	0.278	0.012

⁵ The choice of four clusters is theoretically defined a priori and does not result from the clustering algorithm. This choice also balances the need for clear descriptions of the heterogeneous managerial practices used by SMEs versus the need for large enough clusters to make robust statistical inferences about SMEs' international scope.



Training_choices	=1 if employees can choose their training, 0 otherwise	0.460	0.013
Discu_spaces	=1 if SME created internal discussion spaces, 0 otherwise	0.416	0.013
Brainstorming	=1 if SME implemented brainstorming, 0 otherwise	0.350	0.012
Schedul_flex	=1 if more than 25% of the SME's employees benefit from scheduling flexibility, 0 otherwise	0.235	0.011
EL_Family_benefits	=1 if SME offered extra-legal family benefits to employees, 0 otherwise	0.198	0.010
Positiv-discr	=1 if SME prioritized minority group or underrepresented candidates when recruiting, 0 otherwise	0.235	0.011
Ind_recogn	=1 if SME implemented an individual recognition system, 0 otherwise	0.091	0.007
Ind_perf_bonus	=1 if SME offers bonuses for individual performance, 0 otherwise	0.655	0.012
Team_perf_bonus	=1 if SME offers bonuses for team performance, 0 otherwise	0.261	0.011

Cluster 1 aligns with the discrimination perspective. It contains SMEs that have implemented positive discrimination practices in hiring, assigning priority to candidates from underrepresented groups, such as older workers. Cluster 2 corresponds to the access-and-legitimacy perspective. These firms offer training to encourage employees to develop their skills and careers. Due to their focus on individual potential, they give employees a choice of training. They also rely on discriminatory hiring practices and extra-legal benefits, including days off for family reasons, in line with the access-and-legitimacy emphasis on inclusion. In Cluster 3, the SMEs intensively adopt all noted managerial practices except positive discrimination. This intensive, broad adoption implies a learning perspective, which embraces an organizational view (vs. individual in the access-and-legitimacy perspective) of diversity management. Finally, SMEs in Cluster 4 are poor adopters, always below the average of each managerial practice, reflecting a resistance perspective.

We dichotomize the classification variable to produce 4 dummies: *discr_persp* (= 1 if the SME belongs to Cluster 1, 0 otherwise), *acces_persp* (=1 if the SME belongs to Cluster 2, 0 otherwise), *learning_pers* (= 1 if the SME belongs to Cluster 3, 0 otherwise), and *resist_persp* (= 1 if the SME belongs to Cluster 4, 0 otherwise). The last variable provides the reference category for the empirical model.

Control variables. We include traditional antecedents of SMEs' internationalization as control variables. Noting the potentially nuanced effects of various diversity attributes (Stahl et al.,



2010), we control for them and take a multidimensional approach toward three attributes. Specifically, we include gender, age, and nationality diversity, due to their ability to represent both surface- and deep-level diversity (Eagly & Chin, 2010) and because they have been studied widely (De Wit & Greer, 2008). Similar to previous studies (Bocquet et al., 2019; Harrison et al., 1998; McGuirk & Jordan, 2012; Mohammed & Angell, 2004; Richard, 2000; Richard, Barnett, Dwyer, & Chadwick, 2004; Richard et al., 2013), we use the Blau (1977) index⁶⁷ to measure distributions of gender, age, and nationality among each SME's workforce in 2012. We thus introduce three measures, *Hgender*, *Hage*, and *Hnationality*. The highest possible value of the Blau index depends on the number of groups in the population, so the maximum value for gender diversity is .5 (i.e., equal proportions of women and men). For age diversity, we consider nine groups (24 years and younger, 25–29, 30–34, 35–39, 40–44, 45–49, 50–54, 55–59, and 60 years or older), and the highest value is .89. For nationality, the maximum value of the Blau index is .86, because our sample features seven nationalities (Luxembourgish, German, French, Belgium, Portuguese, Italian, and other⁸).

We control for firm age, because older firms have had more opportunities to internationalize and grasp the process (Johanson & Vahlne, 1977); they typically have more resources too (Fernhaber & Li, 2013; Zahra, Ireland, & Hitt, 2000). However, younger firms might possess the flexibility and learning capabilities needed to adapt to distant foreign markets (Dai et al., 2014). Moreover, the firm's age at its initial internationalization might influence its performance and degree of internationalization (Autio et al., 2000; Cabrol & Nlemvo, 2011). We therefore differentiate SMEs according to three dummies: *Age_4* captures very young SMEs (including EIFs), created less than four years ago; *Age_5-9* are SMEs created between five and nine years ago; and SMEs older than ten years (reference category) are denoted *Age_10P*. Similar to prior studies of SMEs internationalization, we use *Indus* as a dummy variable, controlling for the manufacturing sector (cf. service sector) (Cahen, de Miranda Oliveira, & Borini, 2017; Dai et al., 2014; Fernhaber & Li, 2013; Meschi, Ricard, & Tapia Moore, 2017). Ownership also informs SMEs' internationalization process (Morais & Ferreira, 2020), so we determine whether SMEs belong to a group and include a group dummy. Belonging to a group enhances the probability of internationalization, especially to more distant

⁶ Calculated as $1 - \sum P_i^2$, where P is the proportion of members in a category and i is the number of categories.

⁷ To normalize the index, we follow Solanas *et al.* (2012) and divide the index by its maximum value.

⁸ Among foreign residents, the three most prominent nationalities are Portuguese (36.9%), French (14.7%), and Italian (7.6%). Germany and Belgium border Luxembourg.



markets, because these SMEs benefit from additional resources (Caldera, 2010). This benefit is particularly relevant for firms that export a lot and have poor R&D or innovation capacities (Cassiman & Martinez-Ros, 2007). Technological innovation is also an important explanatory factor that allows SMEs to adapt to the requirements of international markets (Gabrielsson & Gabrielsson, 2013; Madsen & Servais, 1997; Ramos, Acedo, & Gonzalez, 2011). The R&D dummy thus equals 1 if the SME made R&D expenditures between 2010 and 2012 to develop new products or technologies. Finally, we account for the difficulties SMEs face in recruiting qualified employees (*recruit_barriers*), because a lack of new skills can severely constrain their growth abroad (Onkelinx, Manolova, & Edelman, 2016). Table 2 summarizes the variables in the ordered probit model.

Table 2. Variable definitions, ordered probit model

Variable (acronym)	Description	Mean	SD
Inter_scope	=1 if SME stayed in its domestic market (ref.) =2 if SME penetrated other European markets =3 if SME transcended European borders	1.390	0.014
Resist_persp	=1 if SME belongs to resistance perspective cluster, 0 otherwise (ref.)	0.362	0.013
Discri_persp	=1 if SME belongs to discrimination perspective cluster, 0 otherwise	0.137	0.009
Access_persp	=1 if SME belongs to access-and-legitimacy perspective cluster, 0 otherwise	0.201	0.010
Learning_persp	=1 if SME belongs to learning perspective cluster, 0 otherwise	0.297	0.012
Hgender	Normalized Blau's index of heterogeneity (val. Max) based on 2 categories of gender (female and male)	0.273	0.004
Hage	Normalized Blau's index of heterogeneity (val. Max) based on 9 categories	0.048	0.001
Hnationality	Normalized Blau's index of heterogeneity (val. Max) based on 7 categories of nationality (French, German, Portuguese, Belgium, Italian, Luxemburgish, other nationalities)	0.519	0.005
Age_4	=1 if the SME was created less than 4 years ago, 0 otherwise	0.066	0.006
Age_5-9	=1 if the SME was created between 5 and 9 years ago, 0 otherwise	0.133	0.009
Age_10P	=1 If the SME was created at least 10 years ago, 0 otherwise (ref.)	0.799	0.010
Indus	=1 if the SME operates in the manufacturing sector, 0 otherwise	0.120	0.008
Group	=1 if the SME belongs to a group, 0 otherwise	0.220	0.011



R&D	=1 if the SME undertake internal R&D activity, 0 otherwise	0.244	0.011
Recruit-barriers	=1 if the SME encounters difficulties in recruiting qualified workers, 0 otherwise	0.519	0.013

2.3. ECONOMETRIC PROCEDURE

To test the effects of diversity management perspectives on SMEs' internationalization scope, we use an ordered probit model, for two main reasons. First, a binary logit or probit model, in which $Y = 1$ for international scope and $Y = 0$ for domestic scope, would be too rudimentary to evaluate SMEs' internationalization fully. Many European SMEs engage in international business, but few transcend European borders (Romanello & Chiarvesio, 2017). The proximity of European countries, psychologically (Johanson & Vahlne, 2009) and geographically (Fernhaber & Li, 2013), as well as the important size of the European market (Knight et al., 2004), motivates many European firms to stay in Europe. In addition to psychic distance, which is an important determinant of firms' international behavior (Chetty & Campbell-Hunt, 2004; Freeman & Cavusgil, 2007), the resources needed to transcend European borders differ from those required to export within Europe (Kumar, 2012). In this sense, Europe represent a sort of intermediate threshold that should be taken into account when studying European firms' internationalization scope (Knight et al., 2004). Second, multinomial logit or probit models allow for more than two categories, but they suffer from the well-known independence of irrelevant alternatives assumption (Greene, 2003), in that the errors are assumed to be independent for each category. To overcome this problem, an ordered probit model⁹ accounts for the ordinal nature of the dependent variable (Greene, 2003). Recall that our dependent variable (*Inter_scope*) has three outcomes, ranging from 1 (firms stay in the domestic market) to 3 (firms transcend European borders).

3. RESULTS

Table 3 presents the results of the ordered probit model. The model achieves good fit and correctly predicts approximately 71% of the cases. The mean variance inflation factor (VIF) score is 1.14, and the highest VIF, for the category *Learning_persp*, is 1.53,¹⁰ well below the conventional threshold of 10 (Hair, Black, Babin, Anderson, & Tatham, 1998; O'Brien, 2007) and the conservative threshold of 4 (Hair, Black, Babin, & Anderson, 2010).

⁹ Ordered probit and logit models give similar results, though the ordered probit model is favored.

¹⁰ The lowest VIF, pertaining to *Age_4*, is 1.02.



We start with the effect of diversity management—that is, the effects of different ways to orchestrate resource diversity. We expect that SMEs that adopt distinct diversity management perspectives (Dass & Parker, 1999) do not achieve the same international scope. Our results confirm this prediction when we use the resistance perspective, which represents the lowest level of engagement, as a reference. First, the discrimination perspective coefficient is non-significant, so implementing affirmative action or positive discrimination practices (positive discrimination during recruitment¹¹) does not affect the scope of SMEs' internationalization. This result makes sense; this perspective does not entail a search for competitive advantage using diversity (Dass & Parker, 1999). Moreover, SMEs from Luxembourg do not need to adopt positive discrimination practices; the general population and labor market are *de facto* diversified (Cox & Blake, 1991). Second, SMEs with an access-and-legitimacy perspective implement certain managerial practices (skills development incentives, extra-legal family benefits, individual performance bonuses) to help individual members feel good at work and perform better; they also exhibit a greater likelihood of being internationalized ($p < .10$), though mostly in Europe. Third, the coefficient for the learning perspective variable is significant and positive at 1% ($p < .01$), indicating a crucial role of adopting various diversity management practices, especially general management ones (training employees, creation of discussion spaces, brainstorming, team performance bonuses), to foster the scope of internationalization. The coefficient is significant for SMEs that internationalize both within Europe and beyond European borders.

Among the control variables and antecedents of internationalization, we note the effect of resource diversity. We expected nuanced effects of various attributes (Horwitz & Horwitz, 2007), which would justify the need to consider more than one attribute. Age diversity ($p < .01$) has a significant positive effect on the scope of SMEs' internationalization. In our theoretical framework, age diversity can be classified as a surface-level attribute, but it also imposes psychological effects at deeper levels (Eagly & Chin, 2010), such that it aligns with experiential or knowledge diversity, which also have positive effects on firms' internationalization (Hagen & Zucchella, 2014; Kumar, 2012; Loane, 2005). Moving beyond the effect of gender diversity at a managerial level (Lee, Paik, & Uygur, 2016), our study identifies a positive effect of organizational gender diversity on SMEs' scope of internationalization ($p < .05$). However, SMEs that feature diverse nationalities exhibit a lower probability of reaching distant markets

¹¹ In parentheses, we cite some practices identified in the cluster analysis, as presented in the Appendix.



($p < .05$). This result contradicts some previous findings (Parrotta et al., 2016) but is consistent with international business research that identifies a negative effect of cultural origin diversity on team outcomes (Stahl et al., 2010, 2016). Borrowing from previous research (Haas, 2010; Richard, 2000), we posit that the negative effect reflects the national context: Luxemburg's general population and labor market encompass many nationalities, which may be too extensive, relative to the size of SMEs, to create a positive effect. Moreover, every firm is similarly equipped with diverse nationalities.

When we control for firm age, we find a positive effect for very young firms ($p < .05$), including EIFs, with regard to internationalizing in Europe but not transcending European barriers. This result seems logical, considering the size of the European market (Knight et al., 2004) and the time usually needed to obtain sufficient market resources (Kumar, 2012) to overcome the barriers of psychic distance (Chetty, Johanson, & Martin Martin, 2014; Johanson & Vahlne, 2009). Firms created between five and nine years ago similarly exhibit a positive effect for the scope of internationalization, but this finding refers to both Europe ($p < .05$) and beyond ($p < .10$). We find positive, significant effects of operating in the manufacturing sector ($p < .01$), belonging to a group ($p < .01$), and undertaking R&D activity ($p < .01$) on SMEs' internationalization, in Europe and beyond. In a rather obvious link, firms that struggle to recruit qualified workers are less likely internationalize ($p < .01$).

Table 3. Relationship of diversity and SMEs internationalization (ordered probit regression)

	Model 1	Model 2	Model 3	Model 4
	<i>Inter_scope</i>	Stayed in domestic market	Penetrated European markets	Transcended European borders
	Coef. (Std. Err.)	Marginal effects (Std. Err.)		
<i>Discri_persp</i>	-0.1550672 (0.1247736)	0.0554265 (0.04332)	-0.0500348 (0.03964)	-0.0053918 (0.00381)
<i>Access_persp</i>	0.1569644* (0.0951988)	-0.0585509 (0.03605)	0.0517369* (0.03144)	0.006814 (0.00478)
<i>Learning_persp</i>	0.5015713*** (0.0910408)	-0.1889557*** (0.03479)	0.1638241*** (0.02906)	0.0251316*** (0.00732)
<i>Resist_persp</i>	Ref.	Ref.	Ref.	Ref.
<i>Hgender</i>	0.5109595** (0.2361523)	-0.1873385** (0.08647)	0.1673341** (0.07733)	0.0200044** (0.00988)
<i>Hage</i>	2.394589*** (0.5032115)	-0.8779534*** (0.18436)	0.7842039*** (0.16763)	0.0937495*** (0.02407)



<i>Hnationality</i>	-0.3527571** (0.164862)	0.1293351** (0.06036)	-0.1155244** (0.05432)	-0.0138106** (0.00656)
<i>Age_4</i>	0.2626949** (0.13038)	-0.1000123** (0.05102)	0.0868356** (0.04312)	0.0131767 (0.00826)
<i>Age_5-9</i>	0.2343055** (0.1006115)	-0.0884827** (0.03889)	0.0774034** (0.03343)	0.0110794* (0.00582)
<i>Age_10P</i>	Ref.	Ref.	Ref.	Ref.
<i>Indus</i>	0.3240355*** (0.1074433)	-0.1235291*** (0.04204)	0.106891*** (0.03541)	0.0166381** (0.00727)
<i>Group</i>	0.826519*** (0.0838567)	-0.315728*** (0.03147)	0.259969*** (0.02687)	0.055759*** (0.00971)
<i>R&D</i>	0.2685619*** (0.0857826)	-0.1007801*** (0.03281)	0.0884937*** (0.02826)	0.0122864** (0.00508)
<i>Recruit_barriers</i>	- 0.2495215*** (0.0726358)	0.0914665*** (0.02649)	-0.0815032*** (0.02378)	-0.0099633*** (0.00327)
Cut1	0.8493939 (0.1199729)	/	/	/
Cut2	2.593173 (0.1368871)	/	/	/
Number of obs.	1,348	1,348		
Log pseudolikelihood	-891.70504	/	/	/
Pseudo R ²	0.1296	/	/	/
Pr (dependent variable = 1)	/	0.65944067	0.32496732	0.01559201

Source: Survey on Organizational and Managerial Practices in Luxembourg Enterprises (2013), LISER.

*Statistically significant at the .10 level; ** .05 level; ***.01 level.

4. DISCUSSION

4.1. DISTINCTIVE EFFECTS OF VARIOUS DIVERSITY MANAGEMENT PERSPECTIVES

We investigate the role of diversity management in the internationalization of SMEs. Noting the variations among firms in terms of managing diversity (Samuel & Odor, 2018), we combine the RBT (Barney, 1991; Wernerfelt, 1989) and resource orchestration theory (Sirmon et al., 2011) to consider four perspectives on diversity management as distinctive ways to orchestrate resource diversity. As our theoretical framework indicates, resource orchestration refers to the structuring, bundling, and leveraging of resources (Sirmon et al., 2007). The four perspectives comprise different bundles of practices, which have different effects on SMEs' scope of internationalization, as we show. This evidence extends Podsiadlowski *et al.*'s (2013) proposition that different perspectives on diversity management have distinct effects on organizational performance, to include internationalization.



As we have outlined, a *resistance perspective* consists of refusing to orchestrate resource diversity, without any attempts to structure, bundle, or leverage it. These firms simply are not convinced by value-in-diversity arguments. The *discrimination perspective* reflects a sort of fearful orchestration, such that firms just want to make sure that minority groups are protected and various people have a chance (Dass & Parker, 1999). Positive discrimination practices are implemented, but this perspective does not extend to bundling or leveraging resource diversity. At most, human resource diversity is structured, and that only in terms of equal opportunity measures.

The latter perspective focuses on practices designed by diversity management programs (Dobbin & Kalev, 2016; Yang & Konrad, 2011). The *access-and-legitimacy perspective* instead spans general management practices (Podsiadlowski et al., 2013). Firms structure and bundle their human resource diversity by implementing practices to enrich them (e.g., skills development incentives, training choices), though only at the individual level (e.g., extra-legal family benefits, individual performance bonuses). Therefore, they stop short of the needed coordination of resource diversity at the organizational level.

Finally, in addition to structuring and bundling, firms adopting a *learning perspective* leverage their resource diversity by adding general management practices at the organizational level (e.g., creating discussion spaces, brainstorming, mentoring). These firms can enjoy the positive effects of diversity through their organizational learning (Thomas & Ely, 1996) and foster their internationalization scope more effectively than the access-and-legitimacy perspective does.

4.2. A LEARNING PERSPECTIVE TO ORCHESTRATE DIVERSITY

The results indicate significant positive effects of a learning perspective for SMEs' internationalization. According to resource orchestration theory (Sirmon et al., 2007, 2011), this positive effect arises because the learning perspective is the only one to adopt structuring, deploying, and leveraging practices. According to a resource orchestration theoretical framework, the wish to create value for customers and leverage competitive advantages from specific resources is fundamental to firms (Andersén, 2019; Sirmon et al., 2007). In that regard, a learning perspective reflects the value-in-diversity hypothesis (Cox & Blake, 1991), namely, that diversity can create value and competitive advantages (Dass & Parker, 1999). To do so, a strategic response based on this perspective is needed (Singh & Point, 2004). As we show, adopting a learning perspective on diversity, based on general management practices at the



organizational level, is the most effective strategy for fostering SMEs' scope of internationalization.

This perspective mainly involves general management practices located at the individual and organizational levels. In line with Richard and Johnson's (2001) recommendation, it can move beyond the framework of diversity programs and include general management notions (Podsiadlowski et al., 2013). After structuring the resource (acquiring it), SMEs implement practices to support every individual member's potential to thrive, and then complement those with organizational practices to mobilize, coordinate, and deploy diversity in a way that fosters organizational learning (Thomas & Ely, 1996).

4.3. ATTRIBUTES OR MANAGEMENT OF DIVERSITY? A GLOBAL APPROACH

Previous studies mainly focus on the attributes of diversity *per se*, but we argue for a more global approach. Attributes of diversity, diversity management, and related practices can all affect organizational performance, such as internationalization. Gilbert et al. (1999) refer to diversity management as a new organizational paradigm that embraces the value of diversity. We believe this organizational paradigm should consider diversity as a whole, spanning all types of attributes and the way they are managed and orchestrated, using concrete practices (Dobbin & Kalev, 2016; Podsiadlowski et al., 2013; Shen et al., 2009). Such an approach also would require the consideration of diversity at different levels (Nkomo et al., 2019). Most studies prioritize the individual or managerial level, such as by examining diversity in the top management team (Lee & Park, 2006; Rivas, 2012), or else investigating team diversity outcomes (Horwitz & Horwitz, 2007; Tekleab & Quigley, 2014). With this study, we observe management practices at the organizational level, among all workers.

We defend the idea that diversity management matters (Jehn et al., 1999), beyond the effects of diversity attributes. With this current approach, it is possible to go beyond the distinction between surface- and deep-level diversity (Nkomo et al., 2019) and capture the reality of each individual's identity. Dennissen, Benschop, and van den Brink (2020) argue that to capture multiple attributes of diversity, or intersectionality, diversity management is paramount. We concur that diversity management and its associated practices can overcome simple frameworks of diversity management programs, as long as they reflect certain perspectives (access-and-legitimacy or learning) (Bleijenbergh et al., 2010; Podsiadlowski et al., 2013). As Bleijenbergh et al. (2010) explain, diversity management practices can be the heart of personnel



management, and Shen *et al.* (2009) defend the integration of diversity management into human resource management systems.

CONCLUSION

To determine effective diversity management for SMEs' internationalization, we take a more detailed view (Dass & Parker, 1999; Singh & Point, 2004) on the four ways to manage diversity and thereby reveal the substance underlying these four perspectives. In turn, we make three main theoretical contributions to diversity and international management literature. First, this study confirms quantitatively that diversity management matters; different perspectives on diversity lead to distinct organizational outcomes (Podsiadlowski et al., 2013), such as with regard to SMEs' internationalization. Managerial practices can be linked to these four perspectives and analyzed according to resource orchestration theory, which supports understanding of the mobilization of diversity as a resource (Barney et al., 2011; Chadwick et al., 2015) and analyses of the role of managerial practices (Sirmon et al., 2011). Second, we identify the learning perspective on diversity management as the most effective strategy for managing diversity to foster internationalization. In more detail, we establish a list of concrete practices that can structure, bundle, and leverage resource diversity. General management practices at the organizational level are especially needed to foster organizational learning. Third, this study contributes to discussions of diversity as an organizational paradigm (Gilbert et al., 1999) and defend a global approach to study the effect of diversity on organizational performance (Nkomo et al., 2019).

Several useful recommendations for SMEs managers and international support services also emerge from this research. Considering the increasingly diverse workforce worldwide (Bleijenbergh et al., 2010) and its potentially positive effects on internationalization, we strongly encourage these actors to manage diversity. To do so, they should prioritize a learning perspective and undertake concrete practices, which can be easily implemented by SMEs. With this recommendation, we reiterate the importance of the context, which should always be taken into account when adopting various managerial practices.

Finally, several limitations suggest the need for further research. First, the results are specific to the Luxemburgish context, which represents an "extreme" case of diversity in terms of nationalities. Although it offers a stimulating study context, further studies are needed to clarify the effects in other national contexts. Second, the sample has some limitations. We have no information about the age of SMEs, which is not included in Luxembourgish databases, due to



changes in the legal status of companies over time. Nor is the date of the first international entry available. Both these pieces of information could have supported the identification of a subsample of EIFs (Rialp, Rialp, & Knight, 2005) and thus a more nuanced exploration of the effect of diversity management among internationalizing SMEs. Third, our measure of international scope is simplistic yet efficient, delineating a European threshold for European SMEs. Further research might attempt to add the two other dimensions of internationalization, speed and scale. Fourth, our study does not depict the evolution of the four perspectives over time or interactions among them. Fifth, by conducting this study at the organizational level, we cannot control for the characteristics of the owner, which likely affect the adopted diversity management practices. As Bebbington and Özbilgin (2013) explain, diversity at the leadership level influences diversity interventions; leaders usually must be diverse to support diversity at the organizational level.



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Appendix. Interpretation of the four SMEs clusters.

	<i>M</i>											
	Mentoring	Skills development incentives	Training	Training choices	Discussion spaces	Brainstorming	Scheduling flexibility	Extra- legal family benefits	Positive discrimination during recruitment	Individual recognition system	Individual performance bonuses	Team performance bonuses
Cluster 1: Discrimination perspective (N=186)	0.05	0.11	0.13	0.30	0.34	0.12	0.06	0.19	1.00	0.04	0.52	0.13
Cluster 2: Access-and- legitimacy perspective (N=272)	0.14	1.00	0.18	0.60	0.26	0.21	0.13	0.27	0.28	0.06	0.67	0.18
Cluster 3: Learning perspective (N=401)	0.47	0.69	0.58	0.63	0.82	0.77	0.52	0.22	0.14	0.22	0.88	0.53
Cluster 4: Resistance perspective (N=489)	0.07	0.00	0.14	0.31	0.21	0.17	0.12	0.14	0.00	0.02	0.52	0.14
Total (N=1348)	0.20	0.42	0.28	0.46	0.42	0.35	0.24	0.20	0.24	0.09	0.66	0.26