

<https://doi.org/10.31705/ICBR.2025.19>

FRAMEWORK DEVELOPMENT FOR EFFECTIVE NEW ZEALAND SME OPERATIONS MANAGEMENT IN AN INCREASINGLY DIVERSE WORKPLACE

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ABSTRACT

This study develops a conceptual framework to strengthen operations management (OM) practices in New Zealand Small and Medium Enterprises (SMEs) operating within increasingly diverse workplace environments. Despite the vital role SMEs play in national economies, limited attention has been paid to how diversity influences operational performance and innovation. Drawing upon the Resource-Based View (RBV), Contingency Theory, and Dynamic Capabilities Theory, this research integrates cross-cultural and strategic management insights to propose a model that enhances SME resilience and competitiveness. A pilot study involving 15 SME managers in Auckland revealed operational challenges such as communication breakdowns in multicultural teams, inconsistent quality control, and limited utilization of workforce diversity for innovation. The study also draws parallels with Sri Lanka, a developing economy with comparable SME dynamics and diversity issues. Findings suggest that structured diversity management, lean operational practices, and capability-building initiatives can significantly enhance SME adaptability and productivity. The proposed framework contributes theoretically by linking diversity management with operations strategy and practically by offering actionable pathways for SME development and policy design.

Keywords: Framework Development, Operations Management, Resource-Based View, SMEs, Workplace Diversity

1. Introduction

Small and Medium Enterprises (SMEs) form the backbone of both developed and emerging economies. In New Zealand, SMEs account for over 97% of all enterprises and employ approximately 30% of the national workforce. Similarly, in Sri Lanka, SMEs contribute nearly 52% to the national GDP and provide significant employment opportunities.

However, both contexts face growing challenges in managing workforce diversity, a factor increasingly influencing productivity, innovation, and organizational culture. (New Zealand Small Business Council, 2022; OECD, 2023).

In recent years, globalization and migration have transformed the New Zealand workforce into one of the most diverse in the OECD, comprising NZ European, Māori, Pacific, Asian, Middle Eastern, and African communities. While diversity offers innovation potential, it also introduces operational challenges such as communication barriers, leadership misalignment, and inconsistent process adherence. SMEs, often operating with limited managerial capacity and formal systems, find it difficult to translate diversity into strategic advantage. (Spoonley, 2015; Ward & Masgoret, 2008).

This study addresses the pressing need for an operations management framework that supports SMEs in leveraging workplace diversity. The overarching research problem explores how SMEs can adapt global OM strategies to suit New Zealand's unique cultural and organizational landscape. Sri Lanka serves as a comparative case to contextualize findings within another SME-driven economy that faces similar constraints of informality and limited managerial resources.

1.1. Research Aim and Objectives

The overarching aim of this study is to develop a comprehensive framework that integrates global operations management best practices with the cultural and organizational dynamics of New Zealand SMEs. Specifically, the research seeks to:

1. Examine frameworks that can bridge the gap between New Zealand and global SME management strategies;
2. Explore how cultural diversity influences operations management, leadership, and communication within SMEs;
3. Identify the advantages of adopting global operations strategies for addressing cross-cultural challenges; and
4. Determine the key elements underpinning a successful operations management model adaptable to New Zealand's SME context.

2. Literature Review

Operations Management (OM) has evolved beyond its traditional focus on manufacturing efficiency to encompass value creation through people, processes, and strategy. The Resource-Based View (RBV) positions human resources—especially diverse teams—as sources of

sustained competitive advantage when effectively managed. However, realizing this potential requires aligning internal capabilities with external contingencies, as proposed in Contingency Theory, which argues that organizational effectiveness depends on contextually fitting strategies. Meanwhile, Dynamic Capabilities Theory emphasizes continuous learning and adaptability, enabling firms to sense and respond to environmental changes. (Teece, Pisano, & Shuen, 1997).

Research on SMEs highlights their flexibility and innovation potential but also their vulnerability to resource constraints and informal practices. Studies by OECD (2023) and New Zealand’s Small Business Council (2022) identify capability gaps in leadership development and data-driven management, particularly in cross-cultural contexts. While global OM models (e.g., Lean, Six Sigma) provide useful principles, their direct transfer to SMEs without adaptation often fails due to scale and cultural mismatch (Amoako & Lyon, 2020). (Amoako & Lyon, 2020; Bhamu & Sangwan, 2014).

Cross-cultural management studies emphasize that diversity, if not managed, can reduce cohesion and performance. Conversely, structured diversity management enhances creativity, problem-solving, and market reach. Despite these insights, there remains limited integration between OM and diversity frameworks tailored for New Zealand SMEs. Furthermore, comparative insights from South and Southeast Asia—such as Sri Lanka’s informal SME structures—offer valuable lessons for resource-limited contexts.

Table 1: Theoretical Perspectives Informing the Framework

Theory	Key Principles	Relevance to SME Operations
Resource-Based View (RBV)	Firms gain advantage through unique resources and capabilities	Diverse human capital can become a strategic asset if effectively managed
Contingency Theory	No one-size-fits-all; success depends on contextual fit	SMEs must adapt global OM practices to local diversity conditions
Dynamic Capabilities Theory	Emphasis on learning, reconfiguration, and innovation	Continuous learning helps SMEs respond to workforce and market changes

3. Methodology

This study adopts a mixed-method, multi-country comparative design combining literature synthesis, pilot interviews, and case analysis. The process involved a systematic review of SME management and diversity

literature, semi-structured interviews with 15 SME managers in Auckland, and secondary data analysis from Sri Lankan SMEs. Ethical approval was secured from Auckland University of Technology's ethics committee. Interview data were anonymized and coded in NVivo to identify emergent themes such as communication challenges, leadership adaptation, and resource constraints.

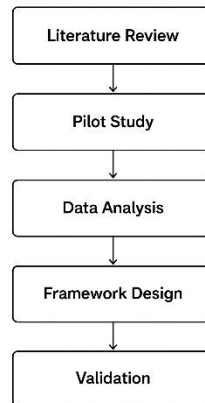


Figure 1: Research Process and Framework Development Stages

4. Findings and Discussion

The pilot study revealed three dominant operational challenges in diverse SME environments:

1. **Communication Gaps:** Multicultural teams faced language and nonverbal misalignments affecting coordination and productivity. SMEs lacked structured cross-cultural training or standardized communication protocols. (Lauring & Selmer, 2012).
2. **Quality and Consistency Issues:** Informal quality control processes led to inconsistencies across culturally mixed teams, especially in manufacturing and service delivery.
3. **Underutilized Diversity:** While diversity was acknowledged as beneficial, most SMEs lacked strategies to harness it for innovation or market expansion.

Sri Lankan SMEs reflected similar struggles, though their diversity primarily arose from socioeconomic, linguistic, and regional variations rather than international migration. Comparative analysis revealed that Sri Lankan firms often compensate for limited resources through strong relational cultures and informal communication networks—insights that could inform New Zealand SMEs. (Tambunan, 2019).

The findings suggest that integrating **diversity-oriented leadership**, **lean process structures**, and **capability development** yields

operational and innovative benefits. SMEs with even minimal formalizations such as diversity policies or multicultural team meetings—reported higher cohesion and reduced errors.

Table 2: Key Operational Challenges and Strategic Interventions

Challenge	Observed Impact	Recommended Strategy
Cross-cultural communication gaps	Reduced efficiency, conflict, errors	Implement intercultural training and standardized communication channels
Quality inconsistency	Customer dissatisfaction, waste	Introduce lean quality systems adapted to SME scale
Limited innovation through diversity	Missed market opportunities	Encourage multicultural brainstorming and inclusive leadership
Resource constraints	Slow process improvement	Build external partnerships and seek government capability grants

4.1. Conceptual Framework

Based on theoretical synthesis and empirical findings, the proposed Diversity-Oriented SME Operations Management Framework (DOSOM) integrates resource utilization, process adaptation, and capability enhancement. The model emphasizes five interconnected domains:

1. Leadership Adaptability – culturally intelligent leadership and communication.
2. Operational Integration – lean systems tailored to SME capacity.
3. Diversity Utilization – inclusion as a driver of innovation and customer alignment.
4. Learning and Capability Development – training, mentoring, and process review.
5. Performance Outcomes – improved resilience, quality, and innovation.

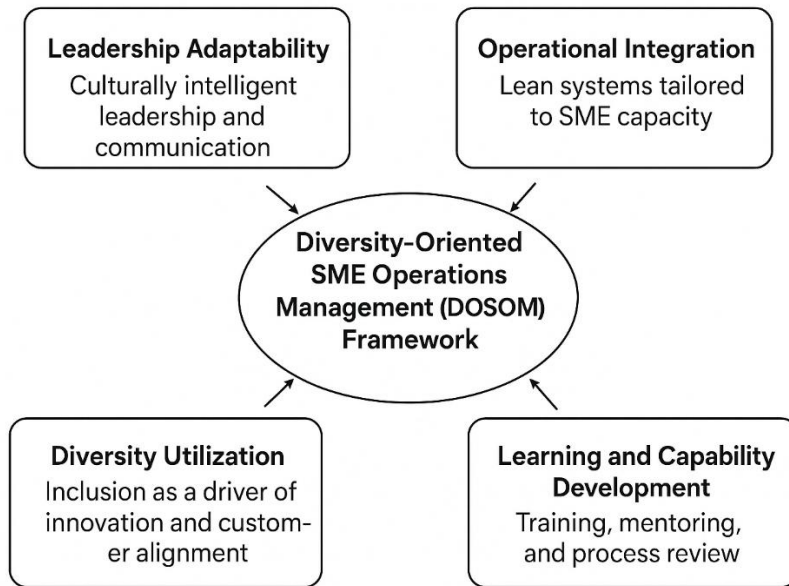


Figure 2: Diversity-Oriented SME Operations Management (DOSOM) Framework

4.2. Implications and Contributions

Practical Implications: The framework provides SME managers with actionable pathways to integrate diversity into core operations. It encourages the adoption of simple, scalable practices such as cross-cultural communication protocols, inclusive leadership training, and flexible process documentation. For policymakers, the findings highlight the importance of targeted capability-building programs that blend diversity management and operational excellence.

Theoretical Contributions: The study contributes to literature by bridging OM theory and diversity management through an SME lens. It extends RBV and Dynamic Capabilities by positioning cultural diversity as both a strategic resource and a source of learning agility. The comparative element introduces cross-national insight into how institutional and cultural contexts shape SME operational strategies.

4.3. Limitations and Future Research

The study's pilot-based approach limits generalizability. Future research should empirically test the DOSOM framework across different sectors and national contexts, using quantitative data to measure the impact of diversity management on operational outcomes. Expanding cross-country comparisons will also enhance understanding of institutional

influences on SME performance.

5. Conclusion

As workplaces become increasingly multicultural, SMEs must evolve beyond ad hoc operational approaches to structured, diversity-oriented management systems. This research proposes a framework that unites global best practices with New Zealand's unique socio-cultural environment, drawing comparative insights from Sri Lanka. By fostering adaptable leadership, lean systems, and learning-based cultures, SMEs can transform diversity from a managerial challenge into a source of innovation and resilience. Future studies should empirically validate the DOSOM framework across sectors and countries to refine its applicability and scalability. (Cox & Blake, 1991; Shore et al., 2011).

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