

The Influence of Diversity in Medium Activity Units in Increasing Economic Growth

Asni¹, Masyadi², Puji Rahmah³

¹Department of Management, Lamappapoleonro University, Indonesia

²Department of Management, Lamappapoleonro University, Indonesia

³Department of Management, Lamappapoleonro University, Indonesia

*Corresponding Author : asni@unipol.ac.id

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Abstract

This research aims to analyze the influence of diversity in MSMEs on increasing economic growth. MSMEs are business units/organizations that are at a medium level of activity, not as small as micro businesses, but which also do not yet have a large scale which is generally the link between local job creation and wider economic integration. Diversity can include the diversity of human resources, the variety of backgrounds of business actors/workers, as well as the variety of networks and skills possessed by these units. Using a quantitative approach based on secondary data (regional economic indicators and economic unit characteristics), this research examines the relationship between diversity and economic growth indicators through a conceptual framework that emphasizes productivity, innovation, market expansion and resource allocation efficiency. The research results are expected to show that the higher the quality of diversity managed inclusively, the greater the contribution to economic growth through increasing productivity and the adaptive capacity of economic units to market changes. It is hoped that these findings will provide policy implications for the government and stakeholders to encourage the strengthening of an inclusive MSME/medium industry ecosystem, including training policies, fair access to financing, and strengthening collaborative networks across groups.

INTRODUCTION

Economic growth is the primary goal of development because it is directly related to improving welfare, expanding employment opportunities, and strengthening the competitiveness of a region or country. In practice, economic growth does not occur automatically; it is influenced by various factors such as capital accumulation, human resource quality, market efficiency, technology availability, and institutional dynamics. One factor receiving increasing attention in development economics studies is diversity the diversity of resources, knowledge, and experience possessed by economic actors and the workforce (Asni, 2024)

On the other hand, modern economic structures often rely on a multi-layered business ecosystem. In addition to small-scale businesses that tend to be flexible but limited in capital and capacity, and large-scale businesses with higher production capacities, there is also a group of medium-sized economic units that play a crucial role as a "bridge" to industrialization and

formalization. In this context, Medium Activity Units (MAUs) are a strategic category because they are generally able to absorb a larger workforce than micro-enterprises and are more adaptable than

large-scale companies. However, the performance of MAUs can be influenced by how they leverage the diverse skills and networks of their members (Asni, 2024).

One factor that is increasingly receiving attention in development economic studies is diversity or the variety of resources, knowledge and experience possessed by economic actors and the workforce. On the other hand, modern economic structures often rely on multi-layered business ecosystems. Apart from small scale businesses which tend to be flexible but have limited capital and capacity, and large-scale businesses which have higher production capacity (Asni & Masyadi, 2025).

. Medium Activity Units (MAUs) are a strategic category because they are generally able to absorb a larger workforce than micro businesses. However, the performance of MAUs can be influenced by how they utilize the abilities and skills of their members (Asmini et al., 2025). Diversity can potentially improve economic performance through several mechanisms. First, diversity of knowledge and skills can encourage innovation and more creative problem solving (Asmini). Second, differences in background can expand market networks, including access to customers, suppliers and collaborative. diversity that is managed inclusively can increase productivity due to the exchange of work practices and optimization of role distribution.

Diversity has the potential to strengthen the performance of medium-sized MSMEs through expanding knowledge, varying perspectives and strengthening networks. However, at the same time, diversity can also present governance challenges that do not automatically disappear. These challenges generally arise when diversity is not accompanied by adequate management mechanisms (Lukertina & Lisnatiawati, 2020).

Design organizational structures, collaboration rules, communication systems, and human resource management practices that are able to reduce friction between individuals or between groups within business units. In the context of a team or organization, internal conflict can arise due to differences in values, experiences, perspectives, or preferences in solving problems; These differences have the potential to give rise to misperceptions, decrease the quality of coordination, and lengthen the decision-making process (S.P, 2024). When coordination deteriorates, organizational transaction costs can increase as more time and energy is absorbed in renegotiating, aligning goals, and resolving internal tensions, ultimately reducing productivity and innovation effectiveness. Apart from conflict, diversity can also give rise to problems in decision making.

Organizational management literature shows that differences in identity or background can trigger implicit stereotypes or preferences that influence managerial judgments of who is considered “more competent,” who is likely to gain access to resources, or who is heard in meetings. If this bias persists, the process of role allocation, strategy determination, and access to opportunities in the organization can become unbalanced. This condition not only reduces the sense of belonging of minority members, but also reduces the quality of information used in decision making because some perspectives are not fully absorbed. In the long term, this can hinder organizational learning and reduce the ability of medium-sized MSMEs to adapt to market changes (Suryani et al., 2025). Thus, diversity does not always “directly” result in better performance; its impact depends on the quality of social integration and the quality of governance.

Diversity has the potential to strengthen the performance of medium-sized MSMEs through expanding knowledge. However, at the same time, diversity can also present governance challenges that do not automatically disappear. These challenges generally arise when diversity

is not accompanied by adequate management mechanisms such as organizational structure design, collaboration rules, communication systems, and human resource management practices that are able to reduce friction between individuals or between groups within business units. In the context of a team or organization, internal conflict can arise due to differences in values, experiences, perspectives, or preferences in solving problems; These differences have the potential to give rise to misperceptions, decrease the quality of coordination, and lengthen the decision-making process (Ekawarna, 2018).

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METHOD

This research uses a quantitative approach with an explanatory/associative design, namely explaining the influence of diversity in medium-sized MSMEs on economic growth (GDP/GRDP) and assessing how governance challenges that arise from diversity in the form of internal conflicts, errors in decision making, and other obstacles can influence the sustainability of an MSME. The research location was determined in the MSME area of Soppeng district which was the object of the study, with the research time adjusted to the field data collection period and the availability of secondary data from the relevant agencies.

Table 1. Economic Growth of Soppeng Regency

No	Tahun	PDRB dalam %
1	2016	4.06 %
2	2017	
3	2018	6.11 %
4	2019	
5	2020	2.90 %
6	2021	
7	2022	6.18 %
8	2023	
9	2024	4.06 %
10	2025	4.77 %

Source: Data Processing, 2025

The research population is all medium-sized MSMEs operating in the research area. The sample was determined using a purposive sampling technique (or stratified sampling with the criteria that MSMEs are included in the middle category based on the provisions used for the number of workers. Determination of the sample size refers to the need for statistical analysis which is used by using the minimum sample rule for multiple regression.

This research consists of independent, dependent variables and mediator variables. The independent variable is the diversity of medium-sized MSMEs, which is measured through diversity indicators at the management and/or workforce level, for example diversity based on gender, education or other characteristics relevant to the research context. The dependent variable is economic growth (GDP) which is operationalized through the GRDP indicator or GRDP growth (growth rate) obtained from official sources such as BPS. Challenge variables include internal conflict, bias in decision making, and coordination obstacles, which can be placed as mediator variables (mechanisms), moderators (strengthening/weakening relationships), or as variables that explain the process of the influence of diversity on economic performance. Researchers also use a

number of control variables to reduce bias in results, so that business size (number of workers/turnover), age of business, education level of management, capital/investment, business sector, and regional conditions show relevant results.

Data collection techniques are carried out through a combination of primary data and secondary data. Primary data was obtained through questionnaires to MSME owners/managers to measure the level of diversity as well as the intensity of conflict, decision bias, and coordination obstacles. To make the data stronger, the questionnaire is supplemented with interviews (optional) to enrich understanding of diversity. Meanwhile, secondary data is obtained from official agency reports (eg BPS) related to regional economic growth indicators used in the research. Before analyzing the research instrument in the form of a questionnaire which was prepared based on the indicators that have been carried out, the research carried out a validity and reliability test on the instrument to ensure that the statement items were able to measure the intended construct and were consistent for use. Validity can be tested through item correlation or factor analysis, while reliability can be tested using Cronbach's Alpha.

Data analysis uses statistical techniques adapted to the research model. The research uses problems or challenges as strengthening/weakening relationships, so the author uses multiple linear regression by including diversity variables and problems as mediator variables. If the research is positioned as a mechanism (mediation), then the analysis is carried out through the stages of testing the influence of diversity on the mediator and the influence of the mediator on GDP, as well as testing indirect effects (generally using a gradual or bootstrap approach to make it more robust). Researchers also tested classic assumptions such as residual normality, multicollinearity and heteroscedasticity to ensure the accuracy of the model interpretation.

Next, the research conducted hypothesis testing to assess the significance of the influence between variables, both partially and simultaneously. Tests can include the t test to see the influence of each independent variable on the dependent variable, the F test to assess their joint influence, as well as evaluating the coefficient of determination (R^2) to measure how much variation in GDP can be explained by the research model.

Thus, overall the research is structured to scientifically answer the relationship between the diversity of medium-sized MSMEs and economic growth, by placing internal conflict, decision bias, and coordination obstacles as important elements that explain why diversity can strengthen or weaken its impact on GDP. If governance challenges are not managed through appropriate management policies through inclusive leadership, clear division of roles, strengthening communication procedures, and fair decision mechanisms, the benefits of diversity have the potential not to be realized optimally. On the other hand, when these challenges can be controlled, diversity has the opportunity to become a source of innovation, network expansion, and increased productivity which ultimately contributes to regional economic growth.

RESULTS AND DISCUSSION

The research theme of the influence of diversity in medium-sized MSMEs on GRDP economic growth is that diversity at the MSME organizational level can basically be an economic strength, but the impact is not automatic and is largely determined by how this diversity is managed. Diversity has the potential to encourage MSME performance through expanding information, varying perspectives, as well as strengthening networks and creativity needed to respond to market dynamics. However, at the same time, diversity can also present governance consequences that create challenges, such as the emergence of internal conflict, bias in the decision-making process, and obstacles in coordination. When these challenges are left without appropriate

management mechanisms, the benefits of diversity can be reduced and even become obstacles that reduce the operational efficiency and quality of MSMEs.

More specifically, this research concludes that the relationship between diversity and regional economic growth works through organizational performance mechanisms. Medium MSMEs that have a higher level of diversity generally have the opportunity to generate new ideas, increase innovation, and expand access to resources which can ultimately increase productivity and competitiveness. This increase in productivity and competitiveness can stimulate local economic activity, increase the contribution of the MSME sector to regional output, and increase the rate of economic growth (GRDP). In other words, diversity can function as "social and knowledge capital" which gives MSMEs the capacity to better adapt to changes in demand, competition and new opportunities (Permana et al., 2024).

However, this research also emphasizes that diversity does not automatically result in better performance if medium-sized MSMEs do not have a governance system that is able to integrate differences within the organization. Internal conflicts can arise due to differences in preferences, perspectives, work values, and interpretations of business priorities. Conflicts like this can disrupt team work processes, slow down problem solving, and increase coordination costs, thereby hindering strategy execution. Furthermore, diversity can also give rise to bias in decision making when the assessment process, role allocation and access to information are not fair. This bias has the potential.

to prevent some important perspectives from being absorbed, decisions being of poor quality, and development opportunities being uneven (Kardina & Ofianto, 2023). In such conditions, MSME performance tends to stagnate because organizations do not take advantage of the information advantages that should arise from diversity.

In addition to conflict and bias, coordination barriers are an important factor that explains why diversity can produce diverse results. Weak coordination due to unclear roles, unstructured communication, inconsistent work procedures, or leadership lacking the ability to reconcile differences can cause the organization to work in "fragmentation". This fragmentation has an impact on wasting time, decreasing the quality of collaboration, and weak integration of knowledge between individuals/groups within MSMEs. The end result is delayed innovation, reduced efficiency, and reduced ability of MSMEs to increase business scale. When the capacity of medium-sized MSMEs to grow is hampered, their contribution to regional economic growth may also be smaller or not optimal (Yolanda & Hasanah, 2024).

CONCLUSIONS AND SUGGESTION

Based on the findings and mechanism framework above, this research finally concludes that diversity needs to be viewed as a factor that has two sides. The positive side is that diversity can be a source of economic opportunity through increasing innovation, productivity and expanding networks. The negative side is that diversity can increase the risk of conflict, bias and coordination obstacles if the organization does not have appropriate management policies. Therefore, the direction for managing medium-sized MSMEs is not just to "accept diversity", but also to prepare a system that ensures that diversity can be integrated in a healthy and productive manner. The management in question includes fair work rules, effective communication mechanisms, clarity of roles and responsibilities, and a leadership style that encourages participation and a sense of fairness in the decision-making process.

Furthermore, this research confirms that the quality of management policies determines whether diversity will produce a significant positive impact on economic growth (GDP/GRDP).

Strong management policies can reduce internal friction, suppress potential bias through transparent decision procedures, and increase smooth coordination through work structures and training/competency development systems. When these policies are in place, diversity is more likely to turn into "positive energy" for the organization, encouraging learning, innovation and faster adaptation to the business environment. On the other hand, if management policies are weak, diversity has more potential to cause problems.

Additional internal costs which ultimately hinder the performance of MSMEs so that economic contributions are not achieved optimally. Thus, the final conclusion of this research is that diversity in medium-sized MSMEs can contribute to regional economic growth, but this contribution is conditional and is strongly influenced by how the governance challenges that accompany diversity are managed. The practical implication is that MSMEs and policy makers need to pay attention to organizational policy design, starting from strengthening inclusive leadership, fair decision mechanisms, to coordination and communication arrangements so that the benefits of diversity are truly manifested in improving MSME performance and ultimately have an impact on regional economic growth.

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