Managing a culturally diverse workforce: A managerial accountant perspective

Jacques Hugo1, Roelof Sauerman2, Hannorite Schutte3, Danie Schutte4*, Eben Van Eeden5
North-West University, School of Accounting Sciences1,2,3,4&5
danie.schutte@nwu.ac.za

Abstract-The role of the Management Accountant has seen a dramatic shift in the past century as the primary function has gradually moved from a technical to a strategic role that focuses on creating a competitive advantage for the organization. This shift from “measuring” to “managing” demands that the management accountant possess a broader range of skills, specifically softer skills, that is needed for managing and leading the people of the organisation in their roles. However, the 21st century work place is much more culturally diverse in its workforce today, than it was in previous decades. This diversity of the people in the organization has the potential to create unequaled competitive advantage if managed well, or to it has the potential to sink an organization if not managed well. This study aims at exploring different models that can be used by the management accountant to be better at understanding and ultimately managing the people within the company in a way that brings the best out of the diversity of its people in working to create a sustainable competitive advantage.

Keywords- management accountant; competitive advantage; diverse workforce; cultural diversity; organizational culture; inclusive environment

1. INTRODUCTION

The management of the entity is charged with implementing the strategy and vision in such a way as to create wealth for its shareholders and acting in the best interest of its stakeholders while being socially responsible and ensuring sustainable competitive advantage. The Institute of Certified Management Accountants describes a management accountant as someone who uses information of all kinds, not just financial, to inform the strategy and help manage the future of the business in their decision-making. The work and role of the management accountant has significantly changed over the last few decades, whereby management accountants in the past focused more on financial information when making decisions, they now have to rely equally on gaining a broader knowledge of the working environment and utilize both financial and non-financial information when making decisions that impact the way in which the entity functions and implements its strategy (O’Mahony & Doran, 2009)[17].

A management accountant is required to provide the essential information that forms the basis of decision-making within an organization. The role of the management accountant has become more dynamic in its functioning and versatile in its demands of ensuring that the information used in making decisions, that potentially impacts the entire organization, is relevant and qualitative in striving towards sustainable creation of wealth, which includes financial performance and reaching the goals of the entity to maintain or achieve a competitive advantage in the industry. To maintain a competitive advantage in the industry, an entity needs to utilize its resources in such a way as to maximize the output while keeping the costs of input to a minimum (Schiller & Perera, 2012)[19]. In the past century the manner in which entities achieved a competitive advantage has changed continuously. At the beginning of the 1900’s, entities had a competitive advantage by having additional or readily allocable financial capital, which they could use to expand into new markets. Thereafter technological advances improved the competitive advantage for companies. In the 21st century, companies recognized people as their most valuable asset (Chan et al., 2004)[4]. Not only do employees determine the pace and position of the entity, people are also capable of accelerating the accomplishments of an entity to ensure sustainable competitive advantage for companies (Campbell et al., 2012)[2]. The reason for people being able to bring about sustainable competitive advantage is that they potentially possess three aspects: the ability to create rarity, value and by people being idiosyncratic in nature.

The management accountant’s decisions directly affect the workforce and their ability to do their work within the systems of the organization. In return, the management accountant’s successes are dependent on the workforce to achieve and maintain competitive advantage by ensuring upstanding financial performance, having ethical and responsive behavior and using their unique skills to add value in the operations of the organization (Gabčanová, 2011)[9]. A diverse workforce offers many value adding attributes and skills to an organization that a homogeneous organization does not possess (Joubert, 2017)[12]. If this diversity is understood and properly managed, an organization could harness the potential of the diversity
that may lead to an improvement in productivity and competitiveness of the organization. A study conducted by Gilbert and Ivancevich (2000)[10] described how a culturally diverse organization effectively created and increased competitive advantage by having a specific strategy to manage diversity.

The management of an organization needs to understand the dynamics of their diverse groups of people in the workplace to avoid employee tensions and conflicts. Maintaining workplace harmony is essential for an organization to implement the organization’s strategy, increase productivity and to ultimately create and maintain competitive advantage.

This however, is not so easy. A diverse workforce offers many advantages and potential to increase competitive advantage, but just as much potential risks exist in the event of failing to effectively manage the diverse workforce. Those differences could lead to unsurmountable problems and even threaten the existence of the entity. Being a manager, charged with implementing the strategy of the entity and helping to create competitive advantage, has many challenges that can make this seemingly impossible with such a culturally diverse workforce (Booyse, 2007)[1]. Organization managers find themselves in a more sensitive and pressured environment that is not present or even relevant in a homogeneous workforce (Kim, 2006)[14]. Therefore, knowing the right approach to managing these diversities in a workforce, will give a company the advantage of a competitive edge over the rest of its environment.

When taking the above-mentioned into account, it is evident that different cultures within the same workforce may lead to many challenges and if not managed effectively, will ultimately result in a loss of competitive advantage. In this paper the objective is to identify and addressing the aforementioned challenges within a culturally diverse workforce by identifying the important considerations relating to the organizational culture of the company and how the individual relates to that of the organization. The remainder of the paper is organized as follows: Section 2 describes the methodology and philosophical assumptions. The data and the relevant questions to be asked in a diverse workplace are presented in section 3. The paper concludes on the key considerations regarding cultural diversity in the workplace in section 4.

2. METHODOLOGY

The need for managing and implementing diversity in the workplace has become more pressing and in addition, racialized diversity has become an economic commodity in many organizations (Maré, 2001)[16]. The main focus of this paper as to gain an understanding of the measures required to manage a culturally diverse workforce. An inductive approach was adopted to suggest appropriate actions by management to address challenges arising from cultural differences in the workplace. This approach involved a systematic procedure guided by the objective to identify the important considerations in a diverse working environment (Thomas, 2006)[21]. In addition, the epistemological focus of this article is mainly on the manner in which relevant information pertaining to cultural differences was identified and transmitted in the workplace (Wanderly & Cullen, 2012)[22].

The purpose of this paper is to identify the various challenges that managers face on a day-to-day basis in managing a diverse workforce that inhibits an organizational from performing optimally. The workplace has a significant impact on the ability of the organization to meet employees’ needs and expectations and ultimately the customer’s as well. It is costly to have to lose good employees and then to hire new employees who also may not choose to stay if they also experience that the company is not as interested in supporting and creating opportunities for success. It is therefore of absolute importance to create a working environment that includes people from all backgrounds, regardless of race, age, gender, sexual orientation, religion, ethnicity, work, communication style and ultimately any culture the individuals belong to or associate with. This will enable an organization to attract and retain the best of employees and continue to add to the organization’s competitive advantage (Lieberman et al., 2003)[15].

A further discovery made by Lieberman et al. (2003)[15] is how organizations in the 21st century have changed their approach and perception of organizational culture and culture in general. These organizations attitude change towards culture is mainly that it is not seen as an obstacle to overcome, something to manage, appreciate or even value. It is viewed as a resource and a lever that has the ability to increase competitive advantage and performance in the marketplace.

The leading companies in the world today are beginning to realize that for a business to be successful, it cannot perform only be successful on one bottom line. A business has to manage the resources of finances, people and environment in an ethical and sustainable way to remain at the forefront of their industries. Lieberman et al. (2003)[15], describe the characteristics and consequences of well-managed diverse organizations that create and provide the organization with competitive advantage in its industry. These advantages include, but are not limited, to a better understanding of their customers, leading to the ability to reach a more diverse group of customers, both locally and internationally, with their products and services as they enable the customer with the ability to relate to the product or service. It labels the organizations as an environment that enables all kinds of people to succeed and further acts as a magnet for more diverse talent.

The diverse workforce also enables the management of the organization to draw on the vast range of perspectives and experiences of its people to be innovative in the developing of products or services and finding creative solutions for problems the organization faces. When the
organizational culture is diverse and inclusive, it creates an environment where people feel valued and can easily be motivated to perform at their peak. With a favorable working environment, employees will also be more likely to stay for much longer periods which in turn will reduce costs relating to talent acquisition, training and even labor disputes. The organization will experience lower levels of absenteeism, lose less time in grievances and experience higher productivity. All of this reduces costs, increases profitability and ultimately company value and reputation (Cannon & Schaiger, 2005)[3].

An organization’s ability to position itself in such a way as to attract, retain and motivate people from culturally diverse backgrounds, will indefinitely lead to competitive advantages in their commitment to maintain the highest quality of human resources. By managing the workforce in the right way, the organization will have the ability to capitalize on the potential benefits that are offered by the diversity of the workforce in the areas of creativity, problem-solving, flexibility of the organization and marketing. Therefore, the correlation is clear between the cause and effect of the diverse workforce and the managerial accountants’ responsibility of acknowledging the effect on costs and to play a crucial role in implementing and advancing the organizational culture in such a way as to bring out the best of what the workforce has to offer (Cox & Blake, 1991)[5].

In order to understand what an organizational culture looks like and to enable organizations to effectively manage the diverse workforce, the Excellence Culture Approach by Peters and Waterman and Hofstede’s Cultural Dimensions Theory will be utilized. In the management accounting theory of Total Quality management, managers strive for excellence in every process and area of the organization. Peters and Waterman (1982)[18] attempted to create a success criterion by studying America’s best run companies. They identified eight elements that were all predominant in the characterization of quality management and excellence (Dahlgaard & Dahlgaard, 2006)[7].

As an extension to the excellence model of Peters and Waterman, it is also important to consider how employees relate to the culture of the entity. Hofstede’s Cultural Dimension model provides an excellent framework for further analysis of the organization’s culture and how it contributes to an inclusive environment that provides the foundation for a competitive advantage.

3. DISCUSSION

The main elements of Peters and Waterman’s Excellence Culture Approach and Hofstede’s Cultural Dimensions Theory are illustrated in Figure 1 below.

Fig 1 – Excellence Culture Approach and Cultural Dimensions

As an For Peters and Waterman, their point of departure is that the main priority of a company who pursues excellent and quality management, is to invest in its people as they are the foundation and the catalyst for improving people, partnerships and products and enable a company to meet all the criterions of its triple bottom line of people, profit and planet. It therefore resembles the philosophy of building quality into people (Deming, 1993)[8]. The following will be a discussion of each of the elements of what dictates an excellent culture in a company.

The first characteristic is productivity through people, which would need high investments in human resources. The productive capacity of human beings is larger than all other forms of wealth taken together (Schultz, 1961)[20]. The relevant questions would be as follows:

- How does the company approach the role of HR?
- What is the average retention period of an employee of each level?
- What is the average amount of absent days per employee and is there a trend?

The second characteristic is that the organization should be arranged in small, decentralized units to empower both autonomy and entrepreneurship. This provides the employee room to innovate and to see their own contribution being made. Questions to ask from this would be:

- What structural mechanisms exist that provides the employee with the opportunity to contribute or providing suggestions on how to do certain things better?
- Do any participative platforms exist where employees have access to key management members to raise any concerns or have their queries addressed?
Stick to knitting is a concept Peters and Waterman describe as a tactic to stick to the competencies that the business was built on. This is an evaluation of whether the past activities of the company were successful. A decision can then be made whether it is feasible to continue to build on those competencies. Appropriate questions would be:

- What are the core competencies the company has been built on?
- What characteristics of the workforce are valued and emphasized in the culture of the organization?

An excellence culture is one with a simple structure that has few layers of management. This ensures that bureaucracy can be effectively avoided and countered with more engagement and better communication. Questions to ask from this would be:

- Is the company multi-layered or does it have a flatter management structure?
- How many steps or signatures are required in a strategic decision-making process?
- Does a clear communication line between different departments and/or from employees to managers exist?
- Does a thoughts and complaints line exist if a suggestion is proposed or an issue is raised by an employee?

Another attribute to having an excellence culture is focusing on the external relationships, as well as where the key to having close relationships with customers is by listening to their needs. This specific feature will enable us to identify how to manage cultural diversity with customers or to understand how other companies do it. The main challenge is the cultural differences of the customer base that also need to be taken into consideration throughout the business, from customer service to advertisement campaigns (Khalid, 2006)[13]. It is thus important to have a specific framework when approaching and dealing with customers to ensure everybody is on the same page and the customer needs and expectations will be met. The following questions can be asked:

- Does the company do customer profiling?
- Are there certain key customers who are regularly asked for feedback and then using that feedback to improve certain systems or approaches?
- How does the company create customer loyalty?

Excellence is not achieved through following what the company has always been doing; rather it is by being innovative, Peters and Waterman claim. Through being innovative the trait of being ‘action based’ is derived. Therefore, being proactive, rather than reactive or just planning without execution. The questions to ask here are:

- How are employee’s expectations managed when it comes to implementing the strategy of the business?
- How does the organization ensure that their planned activities are executed and to whom are they accountable if certain plans are not executed in a timely manner?

Peters and Waterman write about a characteristic named simultaneous loose-tight, meaning that autonomy should exist within the organization without the organizational structure being centralized. A better understanding of this might be that one could have a culture that encourages innovativeness but that it should be done in a controlled environment with consequences attached if it is done in a manner that would harm the organization. What distinguishes this trait from the action based characteristic, encouraging innovation, is that it has a ‘tight’ aspect to it. It emphasizes the control a company should have on its workers and different procedures needed within the company (Cox & Blake, 1991)[5]. This characteristic would give rise to the following questions:

- How is employee behavior managed?
- Is employee behavior managed by rules that are to be subscribed to or is it a more of a framework approach?
- Can organization segments operate independently from each other when it comes to decision making?

The last characteristic of an excellence culture is being hands-on and value driven. This is where management lead by example through living out the ethos of the organization, by being hands-on, available and visible, and not sitting in their office to manage from afar.

Appropriate questions to determine the existence of this character trait are:

- Does management meet regularly with workers in the workplace and does this have an impact on the morale of the employees?
- Does the organization have a management philosophy or is it up to each manager to decide how to live out the company ethos themselves?

The excellence model of Peters and Waterman (1982)[18] offers an ideal structural framework for arriving at appropriate questions and adds sufficient value to the process of receiving appropriate information about an organization. As an extension to the excellence model of Peters and Waterman, it is also important to establish how the employees relate to the culture of an entity. Hofstede’s cultural dimensions provide an excellent framework for further analysis of the organization’s culture and how it contributes to an inclusive environment that provides the foundation for a competitive advantage.

Hofstede identified four dimensions which plays a major role in the understanding and management of different cultures. His research was done in over 50 countries with the purpose of determining how different cultures behave and relate to each other in the work environment. This model will help managers better understand their workforce and their different cultures and lead to a better motivated workforce (Hofstede, 2011)[11].

The first dimension is power distance. This is the distribution of power and authority within the organization between different levels of employees. There will always be an unequal distribution between different roles, but the dimension determines to what extent power is unequally distributed and accepted by employees.

Questions pertaining to power distance are:
• To which extent does lower level employees have an influence on the problem solving and decision-making processes?
• How do employees react on demands imposed upon them that they do not necessarily agree with?
These questions will determine if the employees are involved or consulted before decisions are made and how they react to higher authority. In some circumstances, employees would expect to be told what to do and others would like to be part of deciding on what is best to do. This is where the management of these differences is important to ensure that employees feel they add value to the company.

The second dimension is uncertainty avoidance. This can be defined as the tolerance of employees to deal with more than one outcome and that everything cannot be controlled. Cultures that would like to avoid uncertainty will have strict rules and regulations and more fixed processes to follow. Questions in connection with uncertainty avoidance are:
• Is planning by managers and departments a priority?
• Is the work environment frequently changing?
• Do employees have a positive attitude when responding to a change in schedule or plans?

It is impossible to eliminate all uncertainty out of a work environment, but different cultures respond differently to uncertainty which can influence their efficiency. The effectiveness of employees is influenced by the level of stress they experience. Individuals may experience different levels of stress under the same circumstances. Therefore, it is important to know how a workforce will react to uncertainty in the work.

The third dimension is individualism vs collectivism. Individualism is a culture where people are only concerned with their close relatives and not with the community. A higher focus is placed on individual performance and less on teamwork. Collectivism is the exact opposite where cultures have a more caring attitude towards the people around them. A higher focus is placed on the performance of the team and less on the individual.

Relevant questions are:
• Is performance measurement based on the team or individuals?
• What is more important, to have good relationships with each other or to get the work done?

To keep employees motivated, it is important to know what drives them. Some may be driven by praise and acknowledgement, while others would like to work in a social environment where the focus is placed on loyalty and relationships.

The fourth dimension is femininity vs masculinity. A feminine environment is more focused on values and beliefs. There is a smaller gap between the power of genders and a larger emphasis on people caring for each other. Masculinity on the other hand is focused on performance and doing the work to the best of your ability. There is more confidence and dominating individuals thrive in the environment. Questions relating to femininity vs masculinity are:
• What is the gender distribution within the workforce?
• How do different genders react to the opposite gender in a position of authority?
• Is there a competitive or caring culture within the workforce?

According to Croson and Gneezy (2009)[6], there are three main causes of conflict between genders in the workplace. These are risk preference, social preference and competitive preference. These differences can be enhanced with different cultures in the workforce. To manage these differences, it is important to know what the perception of the employees about the opposite gender and what the corporate culture is that the company strives to implement.

4. CONCLUSION

The management accountant’s role has shifted dramatically over the decades from a pure finance and cost control role, to a more versatile role that takes the elements of the entire business into consideration when making strategic decisions for the future of the company, to ultimately create long term sustainable competitive advantage.

Our findings confirm the link between cultural diversity and its ability to create value in such a way that an organization can gain a competitive advantage.

By using both the Excellence Culture Approach by Peters and Waterman as well as Hofstede’s Cultural Dimensions Theory, we identified the key questions to be asked in creating an inclusive working environment where individuals can realize their potential in the collective striving for excellence. These considerations would enable organizations to measure how the individual relates towards the organizational culture and whether the collective and individual cultures are compatible with each other. By measuring the cultural approach from both the organization towards the individual and secondly form the individual towards the organization, our research provide an indication of how culture is contributing to the competitive advantage of an organization.

The questionnaire created from the above-mentioned models can also be utilized in future studies to determine the cultural contribution to the competitive advantage of the organization. Furthermore, the questionnaire will ultimately assist the managerial accountant with qualitative information in determining how the organization is creating, preserving and measuring value and how those decisions impact the morale of the workforce.

5. REFERENCES


