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Managing the Modern Workforce: Cultural Diversity and Its Implications

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ABSTRACT

Diversity is a reality in the modern workplace across the globe. A culturally diverse workforce can present some disadvantages for an organization, however if managed well it can yield many advantages, such as developing employee and organisational potential, improving customer service and business growth, and also enhancing creativity and problem solving. In this paper the management of cultural diversity is discussed with the focus on two main issues: people management and knowledge management. In order to optimize the positive outcomes of the modern workforce, Information Technology (IT) is an essential tool. Using appropriate technologies is shown to break down cultural barriers and promote understanding and knowledge sharing between employees of different language backgrounds and hence lead to successful collaboration.

INTRODUCTION

Inevitable changes are taking place in the workforce. Diversification of the workplace is mainly due to two factors: firstly the changing composition of national populations and secondly globalization. Research by Mayo (quoted by Elmuti 2001) reveals increasing diversity to be a worldwide trend that extends to many countries around the world.

National populations are changing because of the cumulative effect of high birth rates of minority ethnic groups and increased immigration, which consequently is mirrored in the workforce (Abbasi and Hollman 1991; Cox and Blake 1991; Donnelly *et al*. 1998). For example in the US, the percentage of minorities in the labour force is expected to increase to 29% in the first decade of the new millennium, according to Elmuti (2001).

Globalisation has meant that today every company, large and small, faces increased competition at home from foreign companies, at the same time as they confront the need to be competitive in the international market. In order to prevail, companies need to adopt new ways of doing business, with sensitivity toward the needs of different cultural practices. They must compete for the best talents they can find, and search for ways to get the best from the employees they now have (Thomas 1991; Daft 1997). More and more, these employees will be located in different countries as many organisations move to a global way of doing business. Part of this trend is the increasing reliance on virtual teams, made possible by the advance of Information Technology (IT) (Zakaria, Amelinckx and Wilemon 2004).

Managing a culturally diverse workforce in today's organisations is therefore of great importance. Diversity as defined by Kandola *et al.* (1995, p. 2) is "virtually all ways in which people differ, not just the more obvious ones of gender, ethnicity and disability." This paper will focus on one of the most important dimensions of diversity that must be faced by management, cultural diversity, since this will increase with the changing composition of the workforce, the influx of international workers and increasing globalization of business.

Drawing upon issues frequently raised in the organisational literature, this paper will focus on three areas. The first section will briefly examine the implications of cultural diversity in the workforce: often cultural diversity is seen as a problem, but it is important to stress that cultural diversity can also provide competitive advantages to any organisation working in an era of globalisation. The next section will focus on issues of managing cultural diversity, in particular people and knowledge management. Finally, the role of IT in managing culturally diverse workforces is examined.

IMPLICATIONS OF A CULTURALLY DIVERSE WORKFORCE

Managers traditionally see cultural diversity in the workplace as a problem to be dealt with. In fact, it can be a disadvantage or it can be a valuable resource to enhance competitive advantage. Here both sides of the question will be examined.

Disadvantages of a Culturally Diverse Workforce

Failure to handle diversity can create a lot of problems for a company. The first important problem is financial cost caused by high turnover, absenteeism and lawsuits. Companies lose all the money invested in recruiting and training when a dissatisfied employee leaves. In addition, high turnover means employees are constantly in the learning stage instead of performing at full potential. Absenteeism results in a significant cost: there is a positive relationship between employees' perceptions of being valued and cared about and their attendance. In addition, lawsuits on racial discrimination can also cause financial cost to the company (Daft 1997; Robinson and Dechant 1997).

Reduced individual and organisational productivity is the second problem. This occurs when people experience prejudice and nonacceptance. People who feel unappreciated are less innovative, and are less aggressive in pressing their ideas or in assuming leadership. They will not voice disagreement, because they want to be accepted, and time will be wasted due to poor communication and misunderstandings (Loden and Rosener 1991; Daft 1997).

Third, a less obvious impact is the tarnished corporate image that develops around employee dissatisfaction. If a corporation becomes known as one that alienates nontraditional employees, it will have a hard time finding qualified workers in periods of limited skilled labour supply (Daft 1997; Elmuti 2001).

Advantages of a Culturally Diverse Workforce

By capitalising on the potential benefits of diversity, organisations will have added value and competitive advantages over organisations which do not respond to this challenge (Kandola and Fullerton 1994; Karpin 1995).

First, if people feel valued regardless of their background, it will lead to increased commitment and productivity, enhanced work relationships, and the recruitment and retention of the best employees. (Loden and Rosener 1991; Daft 1997).

Second, companies can drive business growth and improve customer service by involving their diverse workforce. This means making use of language skills, cultural sensitivity, knowledge of business networks in

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their home countries, and market knowledge. With these key assets, organisations will have competitive advantages in marketing goods and services to an increasingly migrant community as well as to the global market (Karpin 1995). The Avon Company, for example, was able to turn around its unprofitable inner city markets in the US by putting African-American and Hispanic managers in charge of marketing to these populations (Robinson and Dechant 1997). Just as ethnic minorities may prefer to work for employers who value diversity, they may also prefer to buy from such organisations (Cox and Blake 1991; Kandola *et al.* 1995).

Third, organisations can expect enhanced creativity and problem solving from a diverse workforce. Research has shown that diverse groups tend to be more creative than homogenous groups, in part because people with diverse backgrounds bring different perspectives to problem solving (Cox and Blake 1991; Kandola *et al.* 1995; Daft 1997; Robinson and Dechant 1997).

CULTURAL DIVERSITY MANAGEMENT ISSUES

There are two main issues in managing a culturally diverse workforce.

People Management

The challenge for management in this new century is capitalising on the talent of cultural diversity. Managers have to recognise the differences and to value and use the unique strengths each person brings to the workplace. (Karpin 1995; Daft 1997).

Valuing diversity by welcoming, recognising, and cultivating differences among people so they can develop their unique talents and be effective organisational members is difficult to achieve. There are several beliefs and attitudes that can hinder the process.

1. **Ethnocentrism.** Ethnocentrism is the belief that one's own group and subculture are inherently superior to other groups and cultures. An ethnocentric viewpoint produces a monoculture, a culture that accepts only one way of doing things and one set of beliefs and values. This leads to assumptions that people who are different are somehow deficient, that diversity threatens the smooth functioning of the organization and that people who complain are oversensitive. These assumptions and inaccurate stereotypes hinder efforts to take advantage of unique talents and abilities (Loden and Rosener 1991; Daft 1997, Sadri and Trant 2002).
2. **The glass ceiling.** The glass ceiling is "an invisible barrier that separate women and minorities from top management positions" (Daft 1997, p.462). They can look up through the glass ceiling and see management, but there are invisible obstacles that block their own advancement (Daft 1997).

In order to manage diversity effectively, there are four key components that managers need. First, there should be support, willingness and genuine commitment from all members of the organisation. Strategic management's support and commitment to diversity is crucial, as well as the commitment from lower organisational levels, especially line managers (Cox and Blake 1991; Robinson and Dechant 1997).

Second, managers should increase flexibility by changing structures, policies, and systems to support diversity. These changes include fairness in recruitment and career advancement, as well as accommodating special needs by providing flexible benefits and programs (Kandola *et al.* 1995; Daft 1997).

Third, empowerment and participation from employees is important. Empowerment is power sharing: the delegation of power authority to subordinates in the organisation. The result is that employees lower in the organisational hierarchy are given responsibility for making decisions and setting goals. Without the participation of all members in the organisation, the goals of capturing the best that diversity brings will not be achieved (Hermon 1996; Hodge et al. 1996; Joplin and Daus 1997).

Fourth, organisations should have diversity awareness training to help people become aware of their own cultural boundaries, their prejudices and stereotypes. This training helps people learn how to work and live together. It also helps people to handle conflict in a constructive manner in order to reduce stress and negative energy when working in diverse teams (Daft 1997).

Fifth, management should encourage mentoring programs by announcing it formally and ensuring that there are enough people to serve as mentors. Mentoring can assist members of a diverse workforce to assimilate into the organisational culture and it also can help the mentor to change any inaccurate stereotypes and ethnocentrism. This process can become a win-win situation if mentors are rewarded for their effort (Sadri and Tran 2002).

Knowledge Management

Harris (2001) states that knowledge is contained within the minds of employees, and is possibly the only resource that, when used, can enhance the value of other capital and does not diminish in value. From the four processes that characterize knowledge management: generation, codification, transfer (also known as knowledge sharing), and application, knowledge sharing is one of the most challenging for a knowledge-based enterprise due to employees' possible reluctance to share what they know. Furthermore, knowledge sharing may also be the most susceptible to effects of cross-cultural differences within a company (Ford and Chan 2003).

Research by Ford and Chan (2001) reveals that knowledge sharing, as the process of disseminating knowledge from one individual or group to another within the multicultural organisation, is primarily affected by language barriers. While they found that some knowledge was transferred between the two groups under study, either directly (i.e., knowledge holder to recipient) or through a bilingual individual, a lot of knowledge was lost in translation or lost due to the inability to articulate the knowledge in the second language. The issue is actually not the presence of different languages but the different levels of fluency. This situation can be improved by putting emphasize on active listening skills, patience, understanding and supporting employees in learning other languages in the workplace.

Beside that, cross cultural differences will effect how knowledge flows through advice and problem solution seeking. A country that is high in 'Power Distance', where the superiors are expected to act autocratically without consulting their subordinates, is more likely to have top-down instruction and knowledge flows. On the other hand, a country with lower Power Distance will embrace more diverse knowledge flows from the bottom-up, top-down and laterally (Ford and Chan 2003).

There is also a subtle distinction between knowledge flows *within* and *between* cross-cultural groups. In Ford and Chan's study, knowledge flows *between* cross-cultural groups tended to fall along formal lines, and were business related. In other words, since individuals depended on cross-cultural knowledge flows to do their jobs, appropriate knowledge flows developed to satisfy this requirement. However, cultural distinctions were more apparent in the informal interactions: most knowledge flow existed *within* cultural groups. As result, the majority of knowledge flowing *across* cultural groups was formal, and knowledge flow *within* cultural groups was informal (Ford and Chan 2003).

In order to encourage knowledge sharing, organisations should facilitate a friendly work environment and offer more opportunities to communicate and get to know one another *outside* of the workplace, such as sporting events. *Inside* the workplace, it should also create a physical environment in which boundaries are literally broken down between the culturally diverse staff: for example, there should be no doors in offices. Architecturally, it should also provide places that encourage communication, such as circular lounges in the center of work spaces. This will create an atmosphere where it is physically possible and easy to go up to one's supervisor and colleagues to talk about problems or issues (Jana 2000).

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MANAGING CULTURAL DIVERSITY WITH INFORMATION TECHNOLOGY

IT can assist in managing cultural diversity in the workplace. Some international employees might find physical approachability to be more daunting than helpful because of language barriers between themselves and their managers. Communication and knowledge management tools such as email, intranets, videoconferencing, electronic bulletin boards, messaging systems and calendars, all help to foster good communication and collaboration, and sometimes help break down language and cultural barriers. In addition to individual tools, there are new ways of working and new ways of doing business, such as virtual teams, which rely on IT and which assist diverse workplaces. Different tools and work practices have different benefits and may not have universal acceptance with all employees: as a result, the authors believe that the organisation should be flexible and allow the employees to choose whatever mode of communication they feel most comfortable with.

Email

Research studies into email have shown different results with respect to cultural diversity. Some studies have shown that e-mail as a primary mode of communication can help avoid culture clashes and overcome more subtle language barriers because many people with non-English speaking background can write and read English better than speak it, particularly if they have learnt English in a formal classroom setting. Another advantage of using email is that both sides will have a record of the communication, which will help reduce misunderstandings (Jana 2000).

On the other hand, Pauleen and Yoong (2001) say that in high-context cultures people will rely heavily on non-verbal gestures and an understanding of the surrounding context, which may include the backgrounds of the people involved, previous decisions and the history of the relationship. People from low-context cultures prefer more objective and fact-based information. Communicating via technology such as email could be an added barrier when working across cultures. The non-verbal cues used to judge people's true feelings are not available when communicating through a text-based channel. Therefore, for employees, a degree of personal relationship and selecting an appropriate communication channel are important factors for good and effective communication.

Groupware

For sharing information to a mass audience, messaging and groupware tools such as Lotus Notes or other intranet technologies may be an appropriate choice (Topi 2004). Groupware tools can promote opportunities for informal, spontaneous exchanges, which in turn can foster more productive work collaborations than are possible without this personal foundation (Pauleen & Yoong 2001). This relationship building is particularly important in culturally diverse workplaces.

Intranet

Many organisations nowadays have found that a company intranet is a worthwhile investment. It allows for quick dissemination of information across all employees, such as the posting of minutes, action lists and news. Jana (2000) reports a successful example of a company, Quadstone, which uses an intranet to link its employees from many nationalities across two different continents: this has eliminated the problem of different accents and poor understanding of spoken English.

Videoconferencing

Video conferencing is a good tool for culturally diverse workplaces because, unlike other more text-based IT, videoconferencing enables team members to see facial expressions, gestures and many other visual cues. Pauleen and Yoong (2001, p. 210) found that 'eyeing' people was important in relationship building and that videoconferencing generally enhanced social relationships by allowing people to 'put a face to the name'. It is better than teleconferencing, which is difficult for people from non-English speaking backgrounds because participants need to be fluent in English, have trouble entering the conversation without seeing the other people, and often misinterpretations occur. However, Dustdar and Hofstede (1999) found that there were fewer contextual clues in videoconferencing than in face-to-face meetings and proposed that the design of videoconferencing needs to support social protocols and be culturally aware. Moreover, lack of sufficient bandwidth and the high cost of installation might be a deterrent.

CONCLUSION

Today's manager cannot ignore population, workforce and marketplace diversity. A culturally diverse workforce, if not managed effectively, can create problems for the organisation. Financial costs caused by high turnover, absenteeism and lawsuits, reduced individual and organisational productivity, the tarnished corporate image and reputation are the three major problems. On the other hand, with good and effective management, diversity can give competitive advantages to the organization: the three major advantages are optimization of employee development and human capital, increasing opportunities to drive business growth and improve customer service, and enhancing creativity and problem solving.

It should also be remembered that, since each person has individual characteristics, cultural diversity management is not just about managing particular cultural groups, but in addition should regard the diverse needs of individuals (Jenner 1994; Kandola, *et al*. 1995). Good management needs to focus on people. There are four key components to this: support and commitment to diversity, flexibility in organizational structure and policies, employee empowerment, diversity awareness training, and mentoring programs. Part of good management in the modern workplace is also managing knowledge and promoting knowledge sharing across cultural groups. IT is a crucial tool in promoting the communication necessary for effective knowledge management. Using appropriate technologies has been shown to break down cultural barriers and promote understanding and knowledge sharing between employees of different language backgrounds and hence lead to successful collaboration.

In general, the increasing importance of diversity in the workforce in recent years has led to the search for new, alternative ways to manage. IT is an important part of this. Management of organisations is developing to even better meet the challenges of today's environment in order to become leading edge organisations.

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