

Globalisation and internationalisation of markets and economies

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Globalisation and internationalisation of markets and economies has made diversity management critical for an organisation to obtain competitive advantage. Diversity management is the process of creating an environment that empowers all employees to perform and contribute to the goals of the organisation¹. It capitalises on such differences as race, religion, gender and age of employees. Diversity management is a component of the organisation's human resource strategy, and encourages acceptance of other cultures and values, and reduces the barriers of ethnocentrism - the assumption that one's own culture knows best².

Diversity management is also an additional opportunity of meeting stakeholder interests, including customers and shareholders³. As its workforce grows more diverse, an organisation must make regular audits of its cultural values and diversity strategy and allow for modifications to its human resource systems to reflect a balanced diversity strategy⁴. Selection of an external auditor should recognise employees' cultural sensitivities, and not reflect the dominant management culture or ethnicity.

An organisation that does not manage diversity can face conflicts, miscommunication and low job satisfaction among its staff and potentially incur losses from discrimination lawsuits, high employee turnover, absenteeism, sabotage and theft, and loss of customer confidence. As revealed in the WGA Ltd. case study⁵ more than AUD\$50, 000 in turnover costs per employee⁶ were incurred due to the absence of a diversity management policy. WGA Ltd. did not establish a strategic human resource

management plan to manage diversity in advance of its Hong Kong expansion and as a consequence was crippled by high employee turnover.

Successful organisations recognise the importance of human-capital investments and allocate substantial resources in managing these intangible assets⁷. Performance appraisals and rewards are required to encourage behaviour that supports diversity⁸, and human resource strategy should include policies to prevent discrimination and include cross-cultural training. Cross-cultural training programs have, as an example, improved the effectiveness of expatriate managers⁹ by providing knowledge and understanding of how to operate in a particular geographical market, and to be prepared to work across a range of cross-cultural encounters¹⁰ and organisational boundaries.

Diversity management requires commitment from the organisation's management team. Managers must recognise that labor relations vary significantly from country to country and that the strategies used to motivate workers in one country are sometimes ineffective or irrelevant in another country¹². Cultural differences in styles of work and the structuring of work tasks must also be considered. For example, Chinese workers traditionally adopt a less formalized approach and job tasks are less precisely written and described¹³, whereas employees from the United States are more likely to require formalised task assignment and structure, regular exchange of ideas and colleague interaction within the work environment.

By establishing human resource policies and practices that recognise diversity, the organisation will realize the benefits of a shared culture, job satisfaction and improved communication. This should be seen as an opportunity for competitive advantage rather than an obstacle to conducting business, allowing organisations to reduce costs, improve productivity and create long-term business opportunities. Appendix I: Case Study- WGA Ltd., Hong Kong Managing Diversity: How misinterpreting culture can send employees packing.

The owners of WGA Ltd., a Hong Kong-based web developer, have faced many obstacles in the eight years of doing business, but few have been as difficult to solve as workforce diversity. After launching operations in Malaysia in 1996 and acquiring key online accounts for Malaysia Airlines, Sega and the Hard Rock Caf, the company decided to expand to Hong Kong and Tokyo. By the December 2000 the company was employing over 50 full and part-time designers, programmers and project managers between three offices. The tide that had swept many American dotcoms under had yet to reach the shores of Hong Kong, considered its central sales office. According to its managing director, the company was still receiving weekly calls from potential investors.

In January 2001 the company won a HKD\$600, 000 contract to develop a working prototype of a children's web site. Recognising a need for additional creative direction, the company hired a writer and designer from Canada experienced in developing multimedia content for children. He joined a multinational team of four designers, two programmers and three project

managers in the Hong Kong office, and was be responsible for providing creative strategy and direction on current and future projects.

WGA Ltd.'s offices were modest. Employees were arranged in teams and seated at two work pods in an open-concept layout no bigger than some Western living rooms. Two of the company's owners¹⁴, both from Britain, sat directly across from each other at one "pod". Joining them at the pod were four other men: two local Chinese programmers, a young designer from Burma and a Thai/British project manager in his mid 20s. Seated at the second pod was the company's senior project manager, a 29-year-old British man and close friend of the managing director, a British-Chinese designer in her early 30s, the company's Hong Kong-born senior designer, a young local Chinese female designer, and a third, local Chinese project manager in her early 20s.