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Preface

Welcome to the inaugural edition of *Carpe Diem*. I am delighted to be writing a preface for this new journal which will provide a forum to showcase quality academic work from the next generation of Business and Information Systems professionals currently studying at Australian Catholic University. It is a sign of maturity and courage on behalf of both students and staff to embark on this task – it is challenging to publicly present one's own work with pride and confidence but I'm sure readers will agree that such pride and confidence are well founded. Too often the fruits of the intellectual labours of tertiary students are destined to be read by only their lecturer or tutor – a grade is assigned, the student digests their lecturer's feedback, and the academic work is then destined for obscurity. It is my dream that this does not have to be the case and that *Carpe Diem* will provide a channel to release the best and brightest of students' academic writings to their peers, the public and their future profession. Not only will it give students an opportunity to 'seize the day', but it will give all readers a glimpse of the shape of the days to come that our students are hoping to seize and just how they are hoping to go about shaping their own futures. This is an exciting initiative which demonstrates the value that Australian Catholic University places on its students' work and the commitment of its staff in Business and Information Systems to make it happen. I offer my personal congratulations and appreciation to the team that has launched this project and also to the inaugural student contributors. I urge readers to support this and following editions in the knowledge that it will bring an insight into the burgeoning thinking of tomorrow's Business and Information Systems professionals.

Associate Professor Pamela Gibbons

Head of the Sub-Faculty of Business and Informatics

Australian Catholic University

October 2005



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A Note from the Editor

I am not the greatest fan of science fiction, but the opening words of the Star Trek television series that stated, "To boldly go where no man has gone before" really appealed to me. To me it signified the essence of original thought that leads into an exploratory journey and results in research that achieves publication in the most formidable of journals. This metaphor has applicability for the both the birth of this journal and the exploratory academic journey that our inaugural student contributors have made.

My journey into the creation of *Carpe Diem* commenced with an original thought at 3am one morning. I penned my notions on the back of my telephone bill and then eagerly awaited the arrival of my Head of School in his office to share this thought and the almost illegible scribbling on the telephone bill with him. That was sixteen months ago and my journey has been both exciting and daunting, I guess a little like the *US Enterprise* traveling into an unknown universe or in this instance the universe of academic knowledge that is waiting to be found, investigated and reported on. I together with the assistance of my editorial board and colleagues discovered the student contributors that had something of value to share with their student, academic and business community. This has been a challenging exploratory journey for them as well and they showed maturity, dedication and persistence under a rigorous review to ensure academic respectability. I offer heartfelt congratulations and appreciation to them for enabling this inaugural edition to metamorphosise from insomniac notions to reality. The quality of their work has lead to the editorial board to commence the process to apply for DEST recognition for segments of *Carpe Diem* that are scholarly in nature. It is also appropriate for me at this point to thank my editorial board and colleagues for their invaluable support and contributions. Most importantly thank you to Associate Professor Pamela Gibbons for your belief in my vision and providing me with the resources to create this landscape for the minds of tomorrow to allow their ideas to resonate today.

Dr. Vicki Baard

Editor



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COLUMNS AND TRENDS

Should the Internet Be Governed?

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ABSTRACT: *The exponential growth in the popularity of the Internet in recent times has made it one of the most significant technological advancements of this century. The increasing upsurge in the misuse of the Internet has given rise to the issue of Internet Governance. The question of whether or not the internet should be governed has been the source of fierce debate within some of the most elite forums in the world. This paper contends that given the vile nature of the violence, religious extremism, gambling, hardcore pornography, child pornography and hate speech which is so rampant on the Internet, the Internet must be governed in order to protect our society and future generations to come.*

Keywords : *Internet Governance, Freedom of Speech*

The rapid growth in the popularity of the Internet in recent years has made it one of the most significant technological advancements of this century. Today the Internet is used for communication, research, business and entertainment purposes in by nearly one billion people in schools, homes and offices all over the world (Bcentral.co, 2005). It gives users the freedom to access and or exchange all kinds of material, at the touch of a button, from anywhere at any time. The openness and freedom offered by the Internet has given rise to the issue of Internet Governance (Dell, 2002).

There are many different views about what Internet Governance is. For example, one of the founders of the Internet Mr. Vint Cerf (cited in Bell , 2005) believes that Internet governance relates to the actions that contribute to the development, use and spread of the Internet. In 2004 a United Nations (UN) sanctioned workgroup was commissioned with the task of defining Internet Governance. Despite their best efforts the participants were not able to come up with a working definition for Internet Governance but they did reach an agreement on what it should include. The workgroup decided that Internet governance must recognize; the dynamic nature of the Internet, the need for the Internet to continue to operate within a stable environment, the differences between international agreements and national laws, the inter-relationship between the issues associated with Internet Governance and other policy domains as well as the need to understand the differences between various governance frameworks and associations between different entities (WGIG, 2005).

Although we do not have a clear working definition of Internet Governance, in general the bottom line is that it has to do with administration of the Internet by a particular authority or authorities. The issue of whether of not the Internet should be governed has been a fierce source of debate within the most elite forums in the world (Atug.com, 2004). The contention of this discourse is that the Internet should be governed, and the reasons for this are as follows.

The Internet has enabled people to do their banking and shopping online without having to set foot outside their home. Internet banking and shopping sites often require their users to divulge very sensitive personal and financial information, including addresses, telephone numbers and credit card numbers. Unfortunately, cyber criminals, such as hackers, are constantly lurking on the Internet trying

to steal a user's personal information to use it for their own illegal purposes (Topics-mag.com, 1999). Consequently, network security has become an important issue, which needs to be addressed very carefully. However, as yet there is no official authority that is solely responsible for dealing with this issue (WGIG, 2005). Therefore, Internet governance must be introduced to protect users' personal information and increase consumer confidence.

Some people fear that the introduction of Internet Governance will have an adverse effect on creativity and innovation, which have been the key ingredients in making the Internet what it is today (Atug.com, 2004). This may be true, but we must keep in mind that there are even more serious issues that warrant the introduction of Internet governance. For example, we still have some Internet service providers that are doing business with spammers. SPAM is the electronic version of junk mail, and spammers are those organizations responsible for sending such emails to Internet users. One would expect Internet service providers to act with more dignity and work to protect the rights of Internet users, but this doesn't always seem to be the case. Unrestrained commercialism is a bigger risk than the possible adverse effect of Internet Governance on innovation (WSIS, 2003). Therefore, in order to curb the risk of this kind of unrestrained commercialism the Internet must be governed.

Opponents of Internet Governance fear that governing the Internet will infringe on people's fundamental democratic right to the freedom of speech. However, freedom of speech entails certain qualities such as intelligence, dignity and responsibility. The illicit nature of some of the pornography and hate speech found on the Internet represents a flagrant breach of these qualities, and has nothing to do with freedom of speech. The fact that such obscenities can be posted on the Internet emphasises the lack of regulation associated with this medium. Hence, for the sake of upholding the true virtues of freedom of speech as well as protecting the moral fibre of our society the Internet must be governed at all costs (Blanco & Peterson, 2005).

Another issue that emphasises the need for Internet Governance relates to children. Children are society's most precious commodities as well as our most vulnerable citizens. The freedom of the Internet has given paedophiles unrestricted and unlimited access to our homes and children. For example, Internet chat sites allow paedophiles to mask themselves behind false names, ages and genders in an attempt to lure vulnerable children into their web of deceit. Therefore, in order to protect our world's most precious resources from the malicious activities of the most psychologically deranged elements lurking within our societies the Internet must be governed (Plato, 1999).

Amazingly, the Internet is the only form of communications media that is not governed by an official authority. For example, in the United States a government agency known as the Federal Communications Commission (FCC) is responsible for regulating all forms of electronic communications media. Since, all other forms of electronic communications media are regulated then why should the Internet be any exception? In fact, with such high levels of explicit hard-core pornography, identity theft and various other business scams being able to run free on the Internet, Internet governance should become the number one priority of the FCC and other similar organizations around the world (Lageschulte, 1999).

At present the technical rules for Internet operation are set out by a Californian based company known as the Internet Corporation for Assigned Names and Numbers (ICANN). This non-profit corporation avoids government accountability mechanisms and does not have a representative board, shareholder monitoring or competition like other non-profit organizations (WSIS, 2003). Hence, we have a situation where a private company is responsible for establishing international policies with very little government supervision. This has displeased many nations including nations like China and Saudi Arabia that could hardly be considered advocates of freedom of speech. This high level of discontentment amongst the international community threatens the future validity of the existing system, especially since some nations are already starting to take things into their own hands. For example, in 2003 South Africa defied ICANN's authority and took control over its country's domain name (WSIS, 2003). So in order to effectively address the issue of accountability and create a stable operating environment, a more traditional form of government supervision needs to be applied to the Internet (WGIG, 2005).

The issue of who should ultimately be responsible for administering the Internet has been the source of much contention on a global scale. During the World Summit on the Information Society in 2003 the debate on this subject was highly controversial. This is because a large number of countries, particularly developing nations, are in favour of the establishment of a UN led multilateral, inter-governmental rule-making authority to oversee the Internet's operations. However, a handful of developed nations such as the U.S. are satisfied with the status quo and are directly opposed to any changes (WSIS, 2003). In light of South Africa's and other developing countries' dissent as well as

the high level of international opposition to ICANN, a UN based multilateral approach to Internet governance seems appropriate.

In a way, the Internet is like a double edged sword. This is because it can be used for good or as we have seen in the preceding discourse it can be used for evil. It is the evil that is of real concern to governments and societies all over the world. The exponential growth of the Internet in recent years has caused an upsurge in misuse of the Internet. The vile nature of the violence, religious extremism, gambling, hardcore pornography, child pornography and hate speech which is rampant on the Internet is testament to this. This kind of indecent material tears right at the heart of the moral fibre of our society and is strictly prohibited in all other forms of media and therefore, the Internet should be no exception. Hence, in conclusion for the sake of the protection of our society and tomorrow's future generations, Internet governance must be brought in before it is too late for us all.

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Ranko Cosic is currently a second year Information Systems student at the Australian Catholic University St Patrick's campus in Melbourne . His academic interests include mathematics, computer programming, music, essay writing and public speaking. The last time he had his work published was when he won first prize in the Gippsland Psychiatric Services essay competition. At the time he was in year ten at Catholic Regional College in Traralgon , Victoria and the essay was published in the Express newspaper.



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ESSAYS

Critics argue that ASIC, the Australian regulatory body of corporations is a “toothless tiger” that cannot properly regulate companies. Do you agree or disagree with this statement?

Mark Callanan

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The Australian Securities and Investments Commission (ASIC) was established, in 1989 as the Australian Securities Commission (ASC), to enforce and regulate company and financial services laws in order to protect consumers, investors and creditors. Since it is an independent Commonwealth government body ASIC has been assigned a wide range of investigative powers that it sometimes manages to use to great effect in the corporate world by bringing those who participate in unlawful activity to the courts. On the other hand, the Commission's attempts to bring justice to society occasionally fail due to its inability to use the full powers it has been given. Various well-known individuals have been brought to the fore as a result of being “undone” by this so called “toothless tiger.” Some recent examples include Rodney Adler, formerly of the insurance giant HIH, and Nick Whitlam, former president of the insurance giant NRMA. Whilst ensuring that fair play exists in all aspects of the modern business world in Australia, ASIC's investigative powers may also provide relief to the parties involved in a corporate failure, therefore, highlighting proof that ASIC's power of discovery is an important aid to law reform (Middleton, 2003)

The Australian Securities and Investments Commission Act 2001 requires ASIC to:

- Uphold the law uniformly, effectively and quickly
- Promote confident and informed participation by investors and consumers in the financial system
- Make information about companies and other bodies available to the public; and
- Improve the performance of the financial system and the entities within it (ASIC, 2001)

This Act makes ASIC primarily responsible for the regulation not only of Australian companies, but also financial markets and financial services organisations (and professionals) who generally deal and advise in investments, superannuation, insurance, deposit taking, and from a more recent perspective, credit. This is by no means a small area of surveillance. We, as investors, creditors and consumers, simply cannot hold it responsible for every breach of the corporate law that occurs in society. ASIC is backed by the Commonwealth government, but this does not result in an infinite supply of funds, or resources, for the Commission. The Federal budget gives the public an exact amount of the finances allocated to ASIC and by no means is it a large sum when we compare it to the amount of work they are held responsible to in order to keep the corporate world running smoothly.

In most court cases concerning ASIC and their attempts to bring about “corporate righteousness,” the Australian Securities and Investments Commission, after conducting their initial investigation on an “accused” company, will immediately take civil action to protect the assets and reduce the possibility of any further losses by the company (Middleton, 2003). Such an act is appropriate in the sense that more effective results will be produced for parties of importance, including creditors, shareholders and other claimants. Rather than waiting anxiously for a lengthy criminal prosecution, the associated parties can await the results of the court case in patience, knowing that ASIC have done what they could to protect them. One example is *Malcolm Boyd McLachlan v ASC* case, where Mr Boyd, a director and representative of licensed securities dealer Thompson Brindal Ltd (TBL), is the applicant who sought review, under the Administrative Decisions (Judicial Review) Act, also ADJR Act, of a decision made by

ASC, as it was known, to make a banning order under section 829(f) of the Corporations Law (now *Corporations Act*) (Allens Arthur Robinson, 1998). The Commission had reason to believe that the applicant had not performed efficiently, honestly and fairly the duties of a representative of a licensed securities dealer. The applicant claimed that in forming its “prima facie” belief under s 829(f), the ASC had relied on a “tainted” Australian Stock Exchange (ASX) report, and the “decision” under s 829(f) was said to be reviewable under the ADJR Act (Allens Arthur Robinson, 1998). This proved unsuccessful as Finn J rejected the TBL submission by stating that the decision to notice a “banning order” did not result in any determination of rights or liabilities. It merely put in train the process whereby a better decision might be made. Section 829(f) in fact, required the ASC to only have “reason to believe,” but there was no requirement that it hold or form a belief prior to its having conducted a hearing. Therefore, the conduct did not relate to a decision reviewable under the ADJR Act (Allens Arthur Robinson, 1998). From this case, we can see that ASIC acted quickly to isolate the applicant from the associated parties, even though it was mere initial “belief” that brought the issue to court.

A major focus for ASIC in recent times has been the issue of insolvency. For financial services businesses, this has been due to the implementation of the Financial Services Reform Act 2001 (FSR Act) in March 2004. With this law, ASIC now has a large number of civil penalty provisions at its disposal, enforcing the fact that it most certainly has the ability, should the need arise, to turn into a more “vicious-like tiger” rather than a “toothless” one. The FSR Act allows the Commission to be a lot more proactive and be considerably more effective in prosecuting breaches of this law (Hubbard, 2002).

Some cases in the court room involve ASIC appearing as *amicus curiae* (as a “friend of the court”), such as in the case of *Hams v CGU Insurance Limited*. Such cases are rare in this instance, Mr and Mrs Hams suffered damage to their rural property following heavy rainfall in February 2000. The Hams were insured by CGU for damage caused by stormwater runoff, but CGU refused to pay on the basis of a “flood” exclusion clause. The Court then accepted ASIC's submission that clearly informing a consumer of the nature and effect of the consumer's duty of disclosure may not be satisfied by the insurer's mere supply of a document containing the relevant provisions (Yee-Kong, 2004). In simpler terms, it should be up to the insurer (CGU) to outline all occasions where claims may be made. However, this view was not accepted by the Court because it found that the law only requires insurers to clearly inform consumers of the relevant provisions of the contract, and not what can only be claimed. The resulting decision meant that the insurer was ordered to underwrite the Hams for *certain*, and not all, elements of the damage suffered. This case proved extremely important in relation to ASIC's power and investigative ability due to it being the first time that ASIC had appeared as *amicus curiae* in its role as regulator of consumer protection in financial services – a responsibility it has held for some time, dating back to July 1998. Is this an example of ASIC neglecting its duty or even acting in the way a frightened “toothless tiger” may? I think not. As has been explained, the Commission does not have an abundance of resources. It may have a wide reach of investigative power, but it certainly is not able to detect every breach by every company of both the Corporations Act and the FSR Act. ASIC took action and provided an opinion on why it thought CGU was “in the wrong.” It takes time to survey the situation and pick the right moment to take action. This reverberates throughout the industry and serves as a warning to potential illegal operations. Certain breaches are more serious than others, and it is purely up to the Commission to decide which case should be pursued or taken further. In this case it was wrong, as decided by the court, but by no means was ASIC “backing off.”

The penalties resulting from fighting a losing battle with ASIC can be harsh, as indicated in the *Elliott v ASIC* case, where the Victorian Supreme Court of Appeal has confirmed that businessman John Elliott, as a non-executive director, failed to prevent the Water Wheel companies from trading while they were insolvent. The Court found that Mr Elliott, in his role as a board member, did nothing to protect the creditors from the inevitable insolvency of the companies (Meadows and Ferguson, 2004). ASIC does not look kindly upon persons who harm the associated party and this crude action by Mr Elliott allowed the Commission to obtain a \$1.4 million compensation order against him. The court also disqualified him from managing a corporation for four years. Such decisions set an example to other corporations (and individuals), that the Australian Securities and Investments Commission is a government body that is prepared to take action and if you choose to exceed the boundaries of the Corporations Act or the FSR Act, you will be dealt with appropriately.

Many prominent Sydney businessmen have been brought to the forefront by this so-called “toothless tiger.” None more so than former president of the New South Wales Motoring and Insurance group, the NRMA, Nick Whitlam. In the case of *Whitlam v ASIC*, allegations of breach of the Corporations Law were made in relation to Mr Whitlam's failure to properly vote against Resolution 6 as instructed by the shareholders who had appointed him proxy. For such an important issue, Mr Whitlam's neglect has indeed proved costly. This resolution proposed amendments to the NRMA's Articles of Association which would (if passed) have increased the fixed amount of annual remuneration able to be distributed among directors from \$617,000 to \$665,000. However, Mr Whitlam “somehow” ignored the need to sign the

poll papers which constituted the votes of around four thousand members (who were conveniently (for him) opposed to Resolution 6) (Neylan, Mir, and Sato, 2002). Consequently, under the Articles of Association, these unsigned “votes” were considered invalid. This resulted in the resolution being defeated, and ultimately Mr Whitlam neglecting his fiduciary duty as a director of NRMA. As the case entered the courtroom, ASIC chairman David Knott stated that “Mr Whitlam has been found to have breached several sections of the Corporations Law, including his duty to act honestly, his duty to not improperly use his position, and his duty as a proxy holder. It is important to understand that this was never a case about a technical or unimportant breach of voting procedures. At the centre of this case lies the obligation of directors, including company chairmen, to observe proper standards of conduct when discharging their responsibilities.” (Stewart, 2002) It is vital for people as important as Mr Knott to make these statements on behalf of ASIC as a warning to other businesses, and in this case, more specifically to people who undertake the role of chairperson in a firm. Once ASIC had brought Mr Whitlam to the fore, it gained praise from Richard Talbot, a fellow NRMA director and long-term opponent of Mr Whitlam's, said that “the community can take heart from today's decision because it shows that our corporate regulator, that ASIC, is doing its job” (Stewart, 2002). Ian Ramsay, Director of the Centre for Corporate Law at Melbourne University, also thinks “ASIC is very active at the moment,” using the examples of Harris Scarf (financial fraud) and Rodney Adler (market manipulation) in his analysis (Stewart, 2002).

Although ASIC has proven successful in the past when taking issues to court, the Whitlam case brought about its first major defeat. In contrast to popular perception, the court believed that there may be some things which directors do in connection with the affairs of their companies which do not arise out of their duties as directors (Hempel, 2003). In a last-ditch effort, ASIC appealed this decision by the Supreme Court, and in an attempt to take the matter further into the Australian legal system, lodged an appeal to the High Court of Australia. However, the Court of Appeal concluded in April 2002, that, as a matter of law, even if the facts found by Justice Gzell in the Supreme Court had been correct, there was no failure to vote by Mr Whitlam. The court also held that, on the way the case had been pleaded and conducted, there was no breach of section 232(2) of the Corporations Law. The decision of the Court of Appeal did not raise an issue suitable to a grant of special leave to appeal to the High Court (Neylan, *et al*, 2002). The case finally came to an end when Gleeson CJ concluded that “the application for special leave to appeal is refused with costs” (High Court of Australia, 2004).

Whilst ASIC may appear ruthless in its treatment of these so-called “criminals,” it can also demonstrate a reason to forgive. The day Rodney Adler's trial began in the Supreme Court of New South Wales, the former HIH director unexpectedly pleaded guilty to the two original and two new charges. In exchange, ASIC apparently dropped three additional charges relating to market manipulation (Findlaw Australia, 2005). Critics may see these withdrawals as being soft, but it is possible to see that Adler may learn his lesson the hardest way possible, from inside jail.

Corporate collapses are a regular part of the business world. Whether the company is large or small, issues such as insolvency and bankruptcy will have an undue effect on any people who may have been somehow connected to the “failed” corporation. It is up to ASIC to prevent such occasions from ever occurring. By enforcing the Financial Services Act and, more significantly, the Corporations Act, we have a federal body that ensures fair play in business activities, thereby protecting the interests of not only corporations, but shareholders and creditors too, which in turn leads to increased confidence in and by such persons. An important aspect of the Commission is the power it assumes under the ASIC Act 2001, which allows it to accept enforceable undertakings from directors, and obtain injunctive relief, effectively freezing those directors' assets so should the litigation process be successful, assets are available to meet the various compensation orders. If such supremacy doesn't frighten directors, then surely the ability of ASIC to seek authoritative orders prohibiting convicted directors from managing corporations in the future most certainly will (Middleton, 2003). We must remember that ASIC has a limited resource base. Simply put, no citizen of our nation would consent to fund a law enforcement body of adequate size to pursue every single breach of law. If this resource base was somehow strengthened, it would indeed become a major force to be reckoned with. One can only imagine what the implications for some large firms would be if ASIC had the power to appoint auditors to these corporations rather than the present system whereby a corporation selects its own auditor (Middleton, 2003).

Critics have argued that the Australian Securities and Investments Commission (ASIC) has proven to be a “toothless tiger” in the past, but I believe that the Australian regulatory body of corporations is doing a good job in ensuring our business world remains on a fair and level playing ground. ASIC will never have sufficient resources to pursue every act or omission that constitutes wrongdoing. The Commission needs to make strategic decisions, based on their assessment of the market, as to what they see as areas they see as being most problematic and design responses that will optimise regulatory outcomes within affordable costs for the industry as a whole. From the cases highlighted, it

can be seen that once ASIC identifies unlawful activity within a corporation, it is able to pounce with speed and authority, and the final result is often justified as the correct one. To satisfy those who criticise ASIC's current authoritative actions, or apparent lack thereof, better quality statistical information, delivered electronically and capable of being used in interrogation (IPAA, 2003), will enable industry, Government and specifically ASIC themselves to effectively identify and address emerging stress areas.

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About the Author

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ESSAYS

Human Resource Management: An Emerging Profession

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Human Resource Management (HRM) is adopting the responsibility to “ensure that the organisation has the right number, types and skills mixes of employees at an appropriate time and cost to meet present and future organisational goals” (Nankervis, Compton & Baird 2004 p10). HRM is an emerging profession that has many challenges relating to its roles and practices, especially in regards to seeing the need to make it-self be accountable for the bottom-line of the organisation. These challenges can be divided into environmental, organisational and individual. This essay will discuss the changing roles of HRM and the issues and dilemmas relating to this, as well as the key issues of its future.

Ulrich (1997) (cited in Caldwell , 2003) defines the four main roles for Human Resources (HR) professionals along two axes (see appendix one). These are strategy versus operations and processes versus people. He defines the four roles as strategic partner, administrative experts, and employee champion and change agents. Strategic partners help to successfully execute business strategy and meet customer needs; Administrative expert constantly improve organisational efficiency by reengineering the HR function and other work processes; Employee champions maximise employee commitment and competence; and change agents deliver organisational transformation and culture change. The practices of HRM stem from the roles in regards to strategic partners, these people assist in the organisation achieving its objectives through succession and career planning of its employees. Administration experts focus on the work processes including the implementation of policies, procedures and regulations, as well as performance management. Employee champions concentrate on the learning and development of the employees and change agents concentrate on intervention, problem solving and relationships (Nankervis *et al*, 2004).

The roles mentioned above can be related to the issues and dilemmas associated with HRM. A number of key environmental dilemmas, those forces external to an organisation that affect the performance but are beyond the control of the organisation, include workforce diversity, globalisation and evolving work and family roles. The organisational challenges are the concerns or problems internal to a firm and often the by-product to environmental dilemmas; these include downsizing, restructuring, outsourcing and changing organisational culture. The individual issues are those HR issues that address the decisions most important to individual employees; these include ethics and empowerment (Gomez-Mejia, Balking & Cardy 2004).

Nankervis *et al* (2004), state that HR practitioners need to operate at three distinct levels. These levels are strategic; operational; and functional. They are very similar to those proposed by Ulrich. At the strategic level HR practitioners are involved in planning specifically corporate planning and HR planning (Nankervis, *et al*, 2004). This is similar to the strategic partner described by Ulrich (1997) (cited in Caldwell , 2003). At the operational level, HR practitioners develop action plans to meet present labour needs. This is similar to Ulrich's (1997) employee champions (cited in Caldwell , 2003). Lastly at the functional level, HR professionals carry out the activities ensure employees are correctly trained, in the right place at the right time and for the right cost. They also assist in the implementation of policies and procedures. (Nankervis *et al*, 2004) This is similar to Ulrich's (1997) administrative experts (cited in Caldwell , 2003).

“Diversity includes everyone; it is not something that is defined by race or gender. It extends to age, personal and corporate background, education, function and personality.

It includes lifestyle, sexual preference, geographic origin, tenure with organisation, exempt or non-exempt status and management or non-management." (Teicher, Holland & Gough 2002 p324)

It can therefore be said that every workplace is a diverse. It should also be noted that while every workplace is diverse, so is the customer base of the organisation, whether this be internal customers or external customers. Diversity is a challenge for HRM as each person in the work place brings with them a different set of morals, ethics and values.

"Changes in the international and national economic, social, regulatory and organisational environments are increasingly highlighting the continued importance of diversity issues in the management of people in Australian organisations" (Teicher, et al, 2002 p320).

As a result the challenge is to have these morals and ethics match the organisational culture, so that organisational objectives can be achieved. This relates to the role of employee champion as described by Ulrich (1997) (cited in Caldwell , 2003).

Over the last thirty years there has been a significant increase in the number of women participating in the workforce (Robbins, Bergman, Stagg, and Coulter 2000). Female participation has increased from 44.7 per cent in 1983 to 55.4 per cent in 2003 (ABS, 2005). The increase of women in the workforce has been a challenge for HRM due to the need for work and family policies. The proportion of dual-career families is increasing and as a result 'women face the double burden of working at home and on the job.' (Gomez-Mejia, et al p9) The dilemma with work and family policies is trying to minimise the work and family conflict that is the work interference with family and the family interference with work (Batt, Valcour 2003). It should be noted that work and family policies are not only related to the increasing participation of women in the workforce but also for the recognised need for people to have a work / life balance (Batt, Valcour 2003). There is also the issue of teleworking which is doing some paid or unpaid work in the home and using both a telephone and computer. The issue here is the blurring of boundaries and the challenges to manager in regard to supervision and performance appraisals (Harris, 2003). The issue of teleworking is similar to that of being an expatriate working in a different country to that of your immediate manager. A manager can have problems with not having the ability to see you physically doing your job and as a result there can be a strain on both you and your manager (Harris, 2003).

The growth of the global economy has seen an increasing number of multinational organisations and an increase in a number of people working as expatriates. This has seen Globalisation become a dilemma for HRM, as firms are increasingly required to compete against foreign firms both domestically and abroad (Gomez-Mejia, et al , 2004). Globalisation refers to the standardisation of product design, advertising and the expansion of trade as well as the reduction in barriers between countries. (Samson & Daft 2003) Globalisation has allowed organisations to have international joint ventures and collaboration with foreign firm on specialist projects. Globalisation relates to diversity management, as organisations are crossing trans-national borders and hence using the local workforce to achieve the organisation goals and objectives. The problem arises when the organisational culture clashes with that of the host nation and also when a person working in a foreign land can have culture shock, due to not being fully prepared. This relates back to Ulrich's model of Administrative expert as the policies and procedures may be a difficulty as the ethics and morals of the host nation may be different (Nankervis, et al , 2004).

HRM in organisations also have the issue of the continuing need for change as mentioned in Ulrich's (1997) model. (Cited in Caldwell 2003) Change can lead to the need for downsizing and restructuring. Downsizing is the reduction in an organisations workforce to improve its bottom-line; and restructuring is the changing of how an organisation is formatted in regards to its hierarchy and job design. (Gomez-Mejia, et al) Downsizing is a dilemma for HRM as it can involve the delayering of the organisation so there are less middle managers. This can cause upheaval as managers can be resistant which in turn can cause a reduction in motivation and productivity which can in turn affect the achievement of organisational goals. Restructuring has the similar issues for HRM. Restructuring is more inclined to change a person's role within an organisation but this may also result in resistance. (Senior, 2002)

Organisational culture is also related to restructuring and downsizing. Organisational culture is the underlying assumptions and beliefs shared by members of an organisation. (Robbins et al , 2000) HRM issue with organisational culture is that it should have policies and practices that mirror the organisation. It is vitally important that during the recruiting process you select those candidates that match the culture or the culture that the organisation aspires to. The other issue for HRM is that if a culture is to change with the external environment then as mentioned above resistance may be

encountered.

HRM as with other professions has the dilemma of ethics. HRM have to deal with employee conflict and this relates to Ulrich's role of employee champion. Ethics is a major issue as HR professionals deal with people, their information and concerns. There is a need for confidentiality but also a need for managerial discretion. HR professionals are called to, upon occasions to make judgement calls. 'Often the judgement calls of HRM constitute a catch 22 because none of the alternatives are desirable.' (Gomez-Mejia *et al* , 2004, p18)

Empowerment is also a dilemma for HRM. "Empowerment is providing workers with the skills and authority to make decisions that would traditionally be made by managers" (Gomez-Mejia, *et al* , 2004, p19). Empowerment can encourage employees to be creative and to take risks but it is also one of the hardest things to do because it means giving up control. This is an issue for HRM as many people have problems giving away their power and also some employees may take this power too far and think that empowerment means that there is no longer a need to follow the policies and procedures of the organisation (Gomez-Mejia, *et al* , 2004).

HRM is a changing profession. This can be seen through the changing roles and practices of HR professionals. Ulrich's model has four roles but it can be said that this model is a "sweeping attempt to overcome the negative counter-images of the personnel function and reinvent a new set of proactive roles for HR professionals." (Caldwell , 2003 p987) HRM has the dilemma of trying to get away from the stigma attached to Personnel Management and become more proactive in the organisation. 'HR professionals must become champions of the competitiveness in 'delivering value' or face the diminution or outsourcing of their role.' (Caldwell , 2003 p987) Hence it can be said that there are issues that need to be faced in its future.

HRM has the issue of needing to make it-self be counted especially in regards to the bottom-line of the organisation. As Caldwell (2003) said about if HRM is unable to be seen as delivering value its role may face diminution or outsourcing. HRM also has the issue of diversity in its future with the growth of globalisation and the movement of employees across trans-national borders. "Diversity – both domestic and international – will be the engine that drives the creative energy of the corporation of the 21 st century." (Werner, 1995 p18) Another issue which HRM will have to continue to deal with is that of work and family policies with the number of women in the workforce continuing to increase. An issue for the future of business not just HRM is ethics especially with the growing number of employees choosing employers that match their own ethics and also because HRM is a service to employees and deals in extremely confidential information.

In conclusion HRM is indeed fraught with difficult issues and dilemmas relating to its roles and practices including diversity management, organisational change, empowerment, globalisation and ethics but it should be noted that the future of HRM also has issues especially in regards to its need to stand up and be counted.

"The next generation of HR professionals will need to be more externally focused and skilled at building networks and productive alliances with other groups and institutions, become more analytical and able to document the benefits associated with effective HR policies and practices, and be skilled at managing and increasingly transparent society and information savvy workforce." (Kochan, 2004, p132)

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PAPERS

“But I don't feel like smiling”: The Costs and Benefits of the Performance of Emotional Labour by Front-line Service Employees.

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ABSTRACT: *The performance of emotional labour has potential serious costs for front-line service employees and for organisations. Following an outline of the concept of emotional labour, research findings regarding the costs and benefits for employees and organisations are examined. Drawing on these research findings, the paper identifies techniques by which managers of these employees can mitigate these costs and facilitate the effective performance of emotional labour.*

Keywords : emotional labour, service work, management

1 Introduction

The late 20th century shift away from manufacturing industries towards service industries has seen a massive growth in employment in the service sector (Hough, 2004) , with many employees now engaged in "front-line service" interactions with customers or clients. In addition to the physical and cognitive requirements of the job, these customer service interactions may present some emotional demands for staff, such as the performance of "emotional labour", or the regulation and management of emotions in accordance with organisational expectations (Schaubroeck & Jones, 2000) . It is in organisations' interests to understand and mitigate the impact of emotional labour on staff, in order to optimise the effectiveness and well-being of these workers and decrease costs such as stress, burnout, turnover and absenteeism (Strazdins, 2002; Lewig & Dollard, 2003) . This paper will outline the concept of emotional labour and discuss the costs for front-line service employees and for organisations. Based on research-identified factors which can mitigate these costs for service employees, managerial techniques to facilitate the performance of emotional labour will be recommended.

2 The Concept of Emotional Labour

Since Arlie Hochschild (1983) coined the term "emotional labour" in her groundbreaking study *The Managed Heart*, the concept has attracted increasing attention among researchers concerned with occupational stress and outcomes in the service industries. These researchers have defined and conceptualised emotional labour in different ways. However, a common general underlying assumption is that emotional labour is the process of regulating both feelings and expressions in accordance with occupational or organisational "display rules" to achieve organisational goals (Schaubroeck & Jones, 2000) .

Many jobs or organisations have display rules regarding the emotions that employees should display in service encounters with customers, clients, or members of the public (Hochschild, 1983) . These display rules specify the content and range of emotions to be displayed, along with the frequency, intensity and duration that such emotions should be displayed (Morris & Feldman, 1996) . These display rules may be explicit in organisation training materials, or they may be implicit in organisational norms (Sutton &

Rafaeli, 1998) . For example, airline attendants are expected to behave in a friendly and cheerful manner, while funeral directors are expected to be sombre (Hochschild, 1983) .

Hochschild (1983) noted that "emotional dissonance" can occur when feelings are different from expressed emotions. Individuals dealt with this emotional dissonance by either "surface acting" or "deep acting". Surface acting is the attempt to manage only the expression of emotion, while deep acting is the conscious attempt to generate and express the desired emotions. Other authors have noted that when workers genuinely feel the emotions displayed there may be no emotional dissonance, but there is still effort involved in managing the appropriate emotions to conform with display rules (Ashforth & Humphrey, 1993) .

3 Consequences of Emotional Labour for Front-line Service Employees

Since Hochschild's (1983) claims that emotional labour can lead to a sense of inauthenticity, loss of feelings, diminished self-esteem, stress and burnout, other authors have found that emotional labour is associated with higher work stress and psychological distress (Pugliesi, 1999) . In contrast, Amy Wharton's (1993) examination of front-line service workers in the banking and hospital industries indicated that emotional labour does not always have negative consequences for workers. Emotional labour may actually enhance the employee's self-efficacy, make interactions more predictable, help avoid embarrassing disruptive interpersonal situations, and allow authentic self-expression where there is some latitude for occasional deviations from the display rules (Ashforth & Humphrey, 1993) .

Morris and Feldman (1996) agreed that emotional labour need not be uniformly damaging or equally damaging to all employees and asserted it is "emotional dissonance", not simply emotional labour, that is associated negatively with job satisfaction. Further, Lewig and Dollard (2003) found that emotional dissonance is positively associated with "emotional exhaustion". Emotional exhaustion, feeling emotionally drained and depleted from work, is the core component of the employee stress syndrome of "burnout" (Cordes & Dougherty, 1993) which has a range of consequences for employees' health, performance, motivation, absenteeism and turnover (Schaufeli & Enzmann, 1998) . Therefore the identified associations between emotional labour, emotional exhaustion and burnout are of critical importance for organisations.

In an examination of adverse employee health outcomes, Schaubroeck and Jones (2000) found that perceived demands to express positive emotion on the job were positively related to physical symptoms. In a discussion of why emotional labour may exert a health cost, Strazdins (2002) focuses on the cognitive processes involved: an employee may find that his/her own mood becomes altered to mimic the other person's negative mood, with a corresponding physiological alignment. This process is known as "emotional contagion" (Pugh, 2001) . The employee's cognitive processing may become negatively primed, prompting recall of distressing events, or he/she may selectively process negative information that affects decision-making. Negative emotions can then carry over and "contaminate" subsequent interactions with clients, workmates or staff.

In recent years researchers have investigated many different workplace settings and occupations to identify individual and organisational variables associated with emotional labour and its consequences. Individual variables including employee personality traits or mood states associated with the effective performance of emotional labour are relevant because organisations may attempt to recruit and select these individuals (Rafaeli & Sutton, 1987) . However, given the purpose of this paper is to assist managers to support the performance of emotional labour by their current direct reports, this paper will address organisational variables including job design, organisational culture, and the supervisor-employee relationship. This research has high relevance and applicability for the manager of front-line service staff: moderating variables that lessen the negative outcomes associated with emotional labour suggest which managerial interventions may be most effective.

For example, Wharton (1993) found that the incidence of emotional exhaustion was influenced by a range of work factors including job autonomy, tenure, and working hours. Other factors associated with emotional exhaustion include interactions with the customer, self-perceptions of inadequate skills, high workloads, lack of variety of work tasks and low promotional opportunities; importantly, the support and help of team leaders was associated with lower emotional exhaustion (Deery, Iverson, & Walsh, 2002) .

Other authors have examined the effects of gender and workplace harassment: in an updated study of airline attendants, women were 32% more likely to feel that emotional labour was costly, and those who experienced unwelcome sexual propositions were 81% more likely to experienced emotional labour detrimentally (Williams, 2003) . In addition, the way that emotional labour is performed is relevant:

surface acting is related to stress and emotional exhaustion but deep acting is not (Grandey, 2003; Totterdell & Holman, 2003). Brotheridge and Lee suggested that surface acting leads to emotional exhaustion by reducing the authenticity of the performance, while deep acting increases the authenticity (Brotheridge & Lee, 2003).

4 The Consequences of Emotional Labour for Organisations

The manner in which employees display their feelings toward customers can have a critical effect on the quality of service transactions (Ashforth & Humphrey, 1993). An early conceptual article by Rafaeli and Sutton (1987) proposed that appropriately-displayed employee emotions would result in three positive consequences for organisations: immediate gains (customers would immediately purchase), encore gains (customers would revisit), and contagion gains (customers would pass positive comments to friends). Further, Ashforth and Humphrey (1993) proposed that compliance with display rules facilitates task performance.

In a practical examination of these propositions, a study of Taiwanese retail employees found that when a “psychological climate for service friendliness” was higher, employees displayed more positive emotions toward customers that were associated with an increased customer willingness to return to the store and pass positive comments to friends. However, displayed positive emotions was not significantly related to purchase decision (Tsai, 2001). Displayed employee emotions are also positively related to customer evaluations of quality of service received (Pugh, 2001): the author notes that this matters because research indicates that service quality produces customer loyalty, repeat business, and financial gains.

Other authors have explored the impact of the two methods of performing emotional labour. For example, deep acting was shown to be related to the display of positive emotions, self-rated job performance, and customer ratings of the sincerity, enthusiasm, warmth, friendliness and courtesy of employees, but surface acting was not (Grandey, 2003; Totterdell & Holman, 2003). One explanation is that employees may find it more difficult to sustain higher levels of expressed positive emotion while surface acting, that this creates tension within the individual, and the employee may then “break character” by allowing their true feelings to “leak” into the display (Totterdell & Holman, 2003). In discussing her similar finding, Grandey (2003) suggested that emotional dissonance depletes the worker's resources, leaving them with too few resources to keep from “breaking character”.

This depletion of resources may also cause the individual to adopt a strategy of “withdrawal behaviours” in order to cope with work demands and conserve resources: indeed, emotional exhaustion has been found to be associated with higher rates of employee absence (Deery et al., 2002). This suggests that management initiatives to address factors associated with emotional exhaustion may lead to an improvement in employee attendance.

5 Limitations of the Research Findings

As noted earlier, emotional labour is a relatively recent area of study, and different researchers have utilised various definitions, operationalisations, and research methodologies. In addition, research studies have often focused on a single industry or workplace, often with small sample sizes. These factors, and the lack of sufficient studies to allow useful meta-analyses, limit the generalisability of findings: it seems reasonable to assume that emotional labour, mitigating variables, and outcomes would be quite different across different workplaces, roles, and industries. However, regarding the usefulness of these research studies when considering practical managerial applications, a lack of generalisability does not invalidate the findings; rather, it suggests caution when applying them to different situations.

6 Techniques to Facilitate Performance of Emotional Labour

Bearing in mind some of the limitations of the research to date, the discussion above indicates that emotional labour that is performed in a way that minimises the negative outcomes is beneficial for organisations. Therefore let us turn to an examination of some techniques to facilitate emotional labour while minimising the costs to employees, based on the variables identified above which lessen these negative outcomes.

The first task of the manager is to be mindful to the possible costs for employees involved in various elements of the service interaction, including the performance of emotional labour and the possibility of “emotional contagion”. In relation to job design, roles that incorporate emotional labour should also

provide some variety, autonomy, prospects of promotion, and reasonable working hours and workloads. There should be boundaries around roles, with clear expectations, policies and procedures to minimise the incidence of unacceptable behaviour such as sexual harassment of staff. Support from supervisors and other staff is crucial, especially through the provision of time-out and a quiet staff-only space for staff to recover from stressful or distressing customer interactions. Staff should have sufficient socialisation, training and skill development to cope with the demands of their roles. Lastly, it is particularly valuable to provide training in the “emotional intelligence” skills of self-awareness and self-management and in particular, in the performance of deep acting.

7 Conclusion

A growing body of research indicates that the performance of emotional labour may entail serious negative outcomes for employees, including stress, distress, decreased job satisfaction, burnout, and withdrawal behaviours such as absenteeism and turnover. It is in the organisation's interest to understand and mitigate these negative outcomes, as the effective performance of emotional labour is generally beneficial for organisations. The manager of front-line service employees can draw on recent research findings to identify a number of practical techniques to facilitate the performance of emotional labour. These managerial interventions should focus on job design (jobs should incorporate variety, autonomy, role boundaries, promotion prospects and reasonable workloads) and the provision of support and skill development for front-line service employees in emotion management.

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The Challenges and Benefits of Activity Based Costing: An Overview

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ABSTRACT: *Management Accounting and Financial Accounting can be contrasted on a number of points, the most obvious being that Financial Accounting provides information to the external stakeholders of an organization whilst Management Accounting's primary audience is the management within an organization. The development of traditional costing systems, such as job order costing and process costing, were greatly influenced by Financial accounting imperatives. As such, an emphasis was placed on measuring inventory and cost of goods sold so that financial statements could be prepared. Over time, the environment in which organizations operate in has become more complex. Indeed, organizations themselves have grown in size and complexity. These changes have influenced the development of more detailed costing systems such as Activity Based Costing (ABC). Activity Based Costing offers insight into the cost of activities incurred by a firm and as such this system enables company's to discontinue non value-adding activities. Better decisions on pricing products and in regards to product mix should also be possible through adopting ABC. However, ABC does not come without a cost (data analysis and collection) and a cost/benefit analysis should be conducted before a particular firm adopts it. In some cases, firms may decide to simply add more cost pools within their job costing system rather than adopt ABC.*

1. Introduction

Financial accounting serves a different audience to management accounting. Therefore, the information provided through financial accounting can be contrasted to that provided through management accounting. The early development of costing systems such as job costing and process costing was greatly influenced by financial accounting cost concepts. Indeed, the emphasis was on estimating production costs so that inventory and cost of goods sold could be reported to external stakeholders. Changes in technology and business complexity and size have led to the introduction of more detailed costing systems such as activity based costing. The benefits and costs of more advanced costing systems such as activity based costing need to be clearly understood before they are introduced by an organization.

2. Management Accounting and Financial accounting

With the advent of the industrial revolution and the growth in the size of organizations the need to introduce financial regulations that dictated the format and content of financial reports became obvious. Differing accounting practices between corporations made it difficult for investors (shareholders) and lenders (banks and creditors) to determine the financial status of the organizations they were dealing with. A number of financial disasters such as the stock market crash of 1929 which was followed by the Great Depression added weight to the concept of mandatory accounting rules and regulations. These regulations and rules, commonly referred to as accounting standards, are the backbone of financial accounting.

As indicated above the focus of financial accounting is on external parties to the organization. This

focus provides a strong contrast to that taken in management accounting. Atkinson (2004, p3) uses the following definition of management accounting:

“a value-adding continuous improvement process of planning, designing, measuring, and operating both non-financial information systems and financial information systems that guides management action, motivates behaviour, and supports and creates the cultural values necessary to achieve an organization's strategic, tactical, and operating objectives.”

The most obvious contrast provided by this definition is that management accounting has an internal focus. Its aim is to guide managers in making decisions and creating behaviour that are necessary to 'achieve an organization's strategic, tactical, and operating objectives'. In doing this, management accounting considers non-financial information which may be hard to quantify and therefore excluded from financial accounting analysis. The emphasis in financial accounting is on information that is reliable and objective. This often means that historical cost information is favoured in reports. However, reliable information may not be relevant to decision making which by its nature is future oriented. This provides the focus for management accounting within organizations.

3. Job Order and Process Costing

The influence of financial accounting is apparent when one considers the development of cost systems. As explained above, the primary criteria of financial accounting is to provide reliable, accurate and comparable financial reports that will allow general purpose financial statement users to make reasonable economic decisions. To do this, standardized cost systems were developed to value inventory and cost of goods sold. Non product costs such as selling, distribution and general administration were ignored by these systems and were simply treated as period costs. When these systems were developed, manufacturing costs represented a greater proportion of organizational costs than what they do today. (Raffish 1991, p 36-39).

In a job order cost system cost are assigned to an individual job. Horngren (2003, p99) describes a seven step procedure to assign costs:

Step 1: Identify the job that is the chosen cost object. (A cost object is anything that you are measuring costs on);

Step 2: Identify the direct costs of the job. (Usually direct materials and direct labour);

Step 3: Select the Cost-Allocation Bases to use for Allocating Indirect Costs to the job. (These are normally costs necessary to do the job that cannot be traced to a specific job. Examples may be supervision, utilities and repairs. The objective is to allocate the costs of indirect resources in a systematic way to their related jobs);

Step 4: Identify the indirect costs associated with each cost allocation base. (if direct manufacturing labour hours is the cost driver, then all indirect costs that have a connection with this cost driver would be accumulated into a cost pool and allocated on the basis of direct labour hours used by a job);

Step 5: Compute the rate per unit of each cost allocation base used to allocate indirect costs to the job. (Actual indirect cost rate equals actual costs in indirect cost pool divided by actual quantity of cost allocation base);

Step 6: Compute the indirect costs allocated to the job. (Multiply the actual quantity of each different allocation base (one allocation base for each cost pool) associated with the job by the indirect cost rate of each allocation base);

Step 7: Compute the total cost of the job by adding all direct and indirect costs assigned to the job.

Costs are usually captured in this system on a job cost sheet. One of the strengths of this system is that it provides detailed information on a job by job basis, which is important for an organization that makes customized products. Therefore, an inventory concept is used to track costs beginning with raw materials inventory, which is then transferred to Work in process inventory where it is transformed by

direct labour and indirect manufacturing overhead, then becoming part of finished goods inventory within the balance sheet and cost of goods sold in the income statement.

In a process cost system the cost object consists of identical units of a product or service (Horngren 2003, p98). A per unit cost is obtained by dividing the total cost of producing an identical product or service by the total number of units produced. The manufacturing costs associated with chemicals are often measured via this methodology.

4. Advantages/Criticisms of the Traditional Costing Systems

One advantage of traditional cost systems are their relative simplicity. As argued by Horngren, an analysis of costs to benefits should be undertaken before considering a more complex cost system. Indeed Estrin (1994, p 40-45) in his article entitled "Is ABC Suitable for Your Company" provides a detailed checklist that management should consider before adopting Activity Based Costing.

Over time, the cost structure of organizations has changed. Non-manufacturing costs such as customer support costs are much more significant in today's global competitive environment. Further, many costs no longer vary with production. As Atkinson (2004, p52) argues:

"This change in cost structure has caused cost systems that used volume measures to allocate indirect costs to become increasingly inaccurate in computing product costs, because they were designed for manufacturing activities with direct labour content. Many costs do not vary proportionally with volume. Therefore, an allocation that is volume based has the potential to distort costs."

This argument is augmented by the observations of Cooper & Kaplan (1988, p 20-27) where they identify the inappropriateness of using direct labour hours (or other broad volume allocation methods) in the second allocation stage to assign costs from cost centres to products.

Poor costing practices may lead to 'Product Cost Subsidization'. This occurs when one product is under-costed and another is over-costed. Poor product decisions will result from such errors. In such organizations, an improved, more complex cost system is required. This may be achieved by attempting to trace as many overhead costs directly to product costs as possible and increasing the number of indirect cost pools so that the relationship between costs and cost drivers are stronger (Horngren 2003, p140).

Cooper (1987, p 45 -49) has identified a number of symptoms that indicate a poorly designed or obsolete cost system. These systems include: products that are very difficult to produce are reported to be very profitable even though they are not premium priced; profit margins cannot be easily explained; some products that are not sold by competitors have high reported margins; the results of bids are difficult to explain; the competitions high volume products are priced at apparently unrealistically low prices; and vendors bids for parts are considerably lower than expected.

Activity based cost systems have been introduced to address the costing issues created by traditional cost systems.

5. Activity Based Costing

This costing system is similar to traditional costing systems in that it accumulates cost via a two stage approach (direct costs for a cost object are first calculated and then indirect costs are applied to the cost object). The contrast arises in that ABC uses activities to accumulate costs, not departments or cost centres as is done in traditional systems.

An activity is defined by Horngren (2003, p141) as "an event, task, or unit of work with a specified purpose, for example, designing products, setting up machines, operating machines and distributing products". The idea is to calculate the cost of performing an activity, and then to assign the cost of the activity to a product or service. Because direct costs are easily assigned ABC focuses on indirect costs and how they relate to the cost object. Typically, the primary methods used to obtain information on the activities conducted for a cost object are observation, interview and review of documentation. Building an activity dictionary is 'resource intense' and for organizations that are subject to frequent process changes, the cost of obtaining this information needs to be carefully weighed against expected benefits.

The main benefit arising from ABC is that activity based cost pools can be better assigned to cost objects via the use of activity cost drivers that more accurately represent how these resources are used by the cost object. Horngren (2003, p 143-144) defines a cost hierarchy for cost pools which helps to illustrate this benefit. The hierarchy has four levels: output unit level costs (cost related to level of output); batch level costs (costs related to a group of units or services rather than individual level of output – e.g. machine set up costs); product sustaining costs (not related to output or batch but to characteristics of the product) and facility sustaining costs (costs that support the organization as a whole).

The introduction of ABC should lead to better product costs because indirect costs are more accurately allocated to products. This is due to ABC establishing more homogeneous cost pools that have a better cause and effect relationship (cost driver) with how products use the resource in question. Management should therefore be better able to make more informed pricing and product mix decisions. Any decision to discontinue the production of a product should be based on long term considerations though, as 'unused capacity' is hard to redirect in the short term.

6. Challenges for Activity Based Costing

Improved technology makes ABC plausible in today's business environment, but there is a propensity to complicate this system with too many activity cost pools and cost drivers. The resulting system becomes so complicated that no body can understand or efficiently maintain it.

Atkinson (2004, p 150–153) has identified a number of implementation issues for ABC. These include: a lack of a clear business purpose; lack of senior management commitment; use of external consultants who do not understand the organization; and resistance to change. These issues need to be carefully weighed up before introducing ABC.

As mentioned previously, the article by Estrin (1994) 'Is ABC suitable for your Company?' provides some guidelines for the adoption of this system. Some of the points covered in this article include product diversity (more diversity, greater need for ABC); support diversity; and common process (if products are produced by common process, then ABC needed to separate out costs). At the end of the day, if management has significant influence over the price it charges for its products then costing information becomes less important as prices are set by the elasticity of demand. Also, if pricing distortions are so minimal that no management actions would result from their correction, then distortions become irrelevant (cost/benefit analysis).

7. The Future of ABC – Costing Customers

ABC information is normally used by management to improve pricing and product mix decisions. However, another obvious benefit of this system is to improve processes. This is because the activities involved in producing a product or service are analysed.

According to Foster (1996, p 5-17) customer profitability analysis represents an important future direction for management accounting. ABC plays a role in this in measuring and documenting the extent that each customer draws on a company's resources. Foster explains that each dollar of revenue does not contribute equally to revenue. Kaplan (2001) supports this concept through the description of a 'whale curve' which illustrates that 20% of an entity's customers can contribute to 300% of the profits. This means that the remaining 80% erode profitability. Obviously, if profitable customers can be identified, then management would make every effort to ensure that they receive the best possible service. Unprofitable customers would be subject to efforts to make them profitable, and failing this, would be disbanded.

Service companies must focus even more than manufacturing companies on customer costs and profitability. For manufacturers, manufacturing costs are customer independent. Profitability is to a great extent governed by production efficiencies and the price that goods can achieve in the marketplace. Service companies offer services to customers – as such, all of their costs are customer driven. Kaplan (2001) uses the example of a checking account to illustrate this point: one customer may use a checking account infrequently and leave a large balance in the account – therefore placing little burden on a banks resources – another customer may make numerous deposits and withdrawals and leave a minimum balance in the account.

The practical challenge for measuring customer profitability is that most accounting systems do not measure this activity. The focus of cost systems is typically on products and services. Developments in

technology have helped to overcome this problem, but according to Foster (1996) there are still four main challenges:

- How to develop reliable customer revenue and customer cost figures;
- How to recognize future downstream costs of customers (future costs of today's actions);
- How to incorporate a multi-period horizon into the analysis (long term perspective – lifecycle costs);
- How to recognize different drivers of customer costs (variability of costs and joint costs).

By aligning customer profitability with sales efforts incentives are also more rationally determined. Such direction is valuable in today's 'high cost to serve' environment.

8. Conclusion

The complexity of the current business environment has led to more detailed cost systems such as Activity Based Costing being developed. Non-manufacturing costs now form a greater proportion of an entity's cost, and as such, more emphasis is placed today on accurately allocating these costs to cost objects. Activity Based Costing is preferred over Job Costing and Process Costing in that the activity cost pools developed are more homogeneous and the activity cost drivers used to allocate these costs are better reflections of how these resources are used by cost objects. However, activity based costing can be expensive to introduce, and care should be paid to ensuring that the benefits obtained from its adoption outweigh implementation and monitoring costs. Activity based costing can lead to process improvements as it focuses on the activities used by a cost object. Furthermore, activity based costing is proving beneficial to service companies, in particular, in measuring customer profitability.

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PAPERS

Can Diversity Manage Its Self?

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ABSTRACT: *It was found that managing diversity had institutional barriers of personal biases and organisational culture, and obstacles in the path to organisational success. This paper explores diversity and examines effective diversity programs. The competitive paradox that requires management to manage diversity efficiently whilst remaining competitive is also examined. It was found that equal employment opportunity/affirmative action and managing diversity, is needed in support of each other. It is also recognised as an asset which can, like any other asset that is well managed, contribute to the bottom line. It was concluded that while managing diversity is holistically focused on organisations, its success will depend on the attitudes, knowledge and behaviours of key individuals within an organisation.*

Keywords: managing diversity, equal employment opportunity, affirmative action, gender, mentoring

Introduction

"Organisations continue to see people as a cost to business rather than the basis of business success, because of the focus of traditional accounting methods. Until organisations learn to measure the contribution of people to their capability, they will continue to under-invest in initiatives that would enhance that capability." (Martin, 2004, p.1)

Managing diversity has emerged as a new and contested vocabulary for addressing the changes needed in an organisation to compete globally as well as locally. Prior to the concept of "managing diversity" governments legislated for Equal Employment Opportunities and Affirmative Action, but are they still needed if managing diversity has all the right ingredients to bring out the best in human assets for an organisation to gain a competitive advantage?

This paper will discuss that Affirmative Action/Equal Employment Opportunity legislation is needed to support Managing Diversity in order for organisations to have a competitive advantage. First, a journey through the history of Equal Employment Opportunity and Affirmative Action, the general arguments and theoretical positions adopted to set the context for the discussion. The discussion will then proceed to explore what diversity is, the reasons for expanding diversity and the institutional barriers, such as personal biases and organisational culture that can be obstacles on the path to organisational success. The next to follow will be the competitive paradox that requires effective management of diversity to keep a sustainable competitive edge is explored. Finally, a comparison is made between equal opportunity/affirmative action and managing diversity, each of which are recognised as assets that can, like any other asset that is well managed, contribute to the bottom line.

2. Theoretical Background

2.1 The International Context

Equal Employment Opportunity/Affirmative Action (EEO/AA) legislation is not only confined to Australia, but also other Western countries. Such legislation has been developed to initiate employment policies aimed to promote equal participation for women and target groups in the workplace. Legislative reform was initiated in most Western countries to challenge existing social and work relations that led to and exacerbated discrimination in the workplace (Bacchi, 1996, p.159). The aim was to remove any discriminatory practices in the workplace and develop policies, programs and strategies so women and target group members would have the equal opportunities, by facilitating their progression through organisational hierarchies from which they had previously been excluded eg 'glass ceiling' concept.

Several years after implementation, Bacchi (1996) conducted an extensive study in several Western countries where they felt they had made headway with affirmative action (The Netherlands, the USA, Australia, Canada, Norway and Sweden). The study found that affirmative action was no longer on the political agenda and not one country boasted success in instituting "real" equal opportunity for women and minorities; instead, all the countries chose to have political debates on the possible interpretation of affirmative action and therefore, overall, women as a targeted group were not a priority in any of the countries studied (Bacchi, 1996).

Bacchi's research also found that EEO/AA was resisted and treated with suspicion and was pitted against other priorities such as economic stability and political survival (Noble and Mears, 2000). "In particular, EEO was seen as leading to rampant tokenism, interfering with the notion of merit, and challenging well established workplace indicators for promotion" (Bacchi, 1996 p.160). It is apparent that the formalisation of procedures to ensure equal treatment is not enough: attitudes and expectations need to change. This led to diversity management which appears less threatening. Also, a business case can be made for diversity management.

2.2 Australian context

2.2.1 Equal Employment Opportunity

There have been three waves of changes that affected the workplace. The first wave came in the 1970s Equal Employment Opportunity. Equal employment opportunity policies were introduced in Australia in response to women and targeted groups such as, those with disabilities and ethnic orientation were in a disadvantaged position in the workforce. Industry and employers were forced to take responsibility for providing a more equitable workplace for all including women workers, particularly as there was a continuing gender gap in women's wages and promotional opportunities.

2.2.2 Affirmative Action

The second wave came in the 1980s, Affirmative Action. Australia's form of affirmative action was underpinned by legislation, and aimed to promote gender equity in the workplace through legally requiring employer action (Strachan, Burgess & Sullivan, 2004).

The Affirmative Action (Equal Opportunity for Women) Act 1986 (replaced by the Equal Opportunity for Women in the Workplace Act 1999) placed a major responsibility for introducing mechanisms for correcting discrimination with senior management. This was to ensure that EEO/AA policies, practices, strategies and initiatives obliged senior managers to develop and oversee its introduction and be responsible for its on-site monitoring. "Positioning EEO/AA as a management/personnel issue meant that work practices, based on masculine values, that can be unjust and exploitative of women, remain unchallenged because they did not fall neatly into a "management of human resources" or "management of work" framework" (Braithwaite and Bush (1998), as cited in Noble and Mears, 2000). The result was that the predominantly male managers took it as "and we must have a woman" approach, a "solution" that means the transformation of the male-dominated workplace remains incomplete and unresolved (Bacchi, 1996). Consequently companies that hire only marginally qualified women purely to meet the demands of the programs will find those managers' biases turn into self-fulfilling prophecies (Poole & Kautz, 1987).

To force organisations to address EEO/AA the Affirmative Action Agency was established to be an independent monitor whereby all large government and private organisations were required to report annually, in writing. Non-compliant employers were to be named annually in Parliament and in 1995 companies failing to satisfy sufficient progress in implementation of EEO reform would be denied government contracts (Noble & Mears, 2000). The question begs to be asked, 'has the government with its big stick made any headway for women gaining any further ground toward breaking that glass

ceiling?'

The answer appears to be 'not much'. The equity battle began with legislation in 1986 in Australia and now in 2005 there still remains a long way to go. CCH Australia Limited (2004, p.1) states: "While women's workforce participation has climbed to its highest ever rate and more than half of university graduates are female, women are still few and far between in the top-most corporate positions. In the companies surveyed, women hold only two Chairs of Boards and four CEO positions, even though a recent Catalyst report found that women are just as likely as men to covet the top jobs". This is supported by the Australian Bureau of Statistics that little has changed since 1986. From the Diversity at Work research (2005) of women in the workforce statistics, shows the following:

- 52% of Australia 's population is female
- Women in full-time employment earn on average 84.3% of the income of fully employed men.
- Women in all types of employment (full-time, part-time and casual) are paid 66.3% of male earnings.
- Only 1% of CEOs of Australia's top companies are female.
- In 2001, 10% of private sector board members were women.
- Men outnumber women in managerial and administrative jobs by more than three to one.
- Percentage of generalist managers who are women – 13%
- Percentage of specialist managers who are women – 27%
- Percentage of advanced clerical and service workers who are women – 89%
- Percentage of intermediate clerical and service workers who are women – 73%
- Over half the female workforce is employed in clerical and service work compared to 15.3% of male workers. (http://diversityatwork.com.au/research/information/women_statistics.cfm)

2.2.3 Diversity Management

Consequently there exists a need to move beyond affirmative action to the third wave in 1990s Diversity Management. Managing diversity encourages people to look at the whole equal opportunity area as they never have before. Worman (1997) suggests that many organisations are still in an earlier phase of attempting to tackle the institutional barriers that exist for people before they can look towards treating them as equals (as cited in Overell, 1997). This is why managing diversity, which is less threatening to the White Anglo Saxon Protestants (WASPs), is needed because affirmative action fails to deal with the root causes such as prejudice and corporate culture and does little to develop the full potential of every individual in the company.

3. What is Diversity?

One of the principal reasons diversity is emerging as a major bottom-line issue for management, is economic globalisation and multiculturalism in Australia . Talbot-Allan (1995) suggests that as an organisation expands globally, diversity in its workplace increases automatically. For example, "Ford automobiles are now built in 31 countries; Ford's current polyglot population of workers illustrates the wide diversity that will be the common standard in the next century" (Talbot-Allan, 1995, p.3)

Salomon and Schork (2003) define diversity as "all the unique talents and capabilities possessed by individuals in the workforce" or "all of the differences that we bring" (p37). Diversity is much more than the clearly visible parameters of race, age and gender; it includes religion, education, sexual orientation, personality type, and a variety of other factors that may or may not be obvious at first meeting (Salomon & Schork, 2003), see Figure 1. Diversity can also be depicted as a wheel with organisational dimensions in the outer circle and internal or personal dimensions in the inner circle (Salomon & Schork, 2003), see Figure 2.



Figure 1

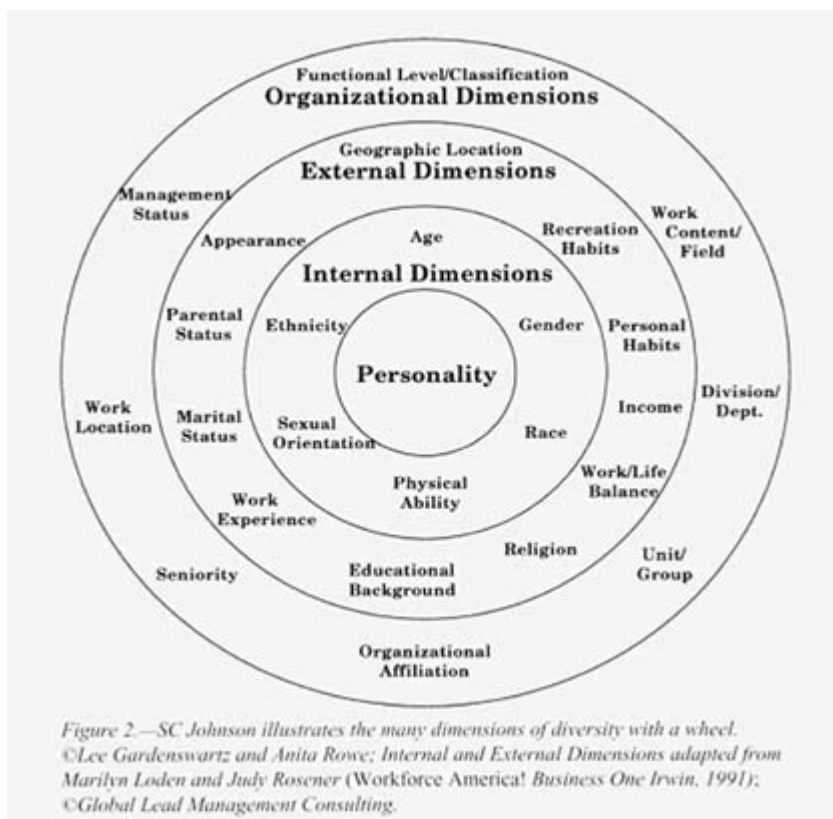


Figure 2

To quote McNerney (1994, p.9) "talent is colorblind. Another obvious fact: the talent pool from which companies recruit today is a diverse pool; and those with the most talent are just as diverse". For example: women are a talent pool that cannot be ignored since they represent half of the world's intellectual resources. Women often have strengths as integrators and as experts on parallel processing and multi-tasking. Women also tend to have a more collaborative approach and are more effective team builders. In the United Kingdom a company surveyed project managers and found that the women performed significantly better than the men in the important area of project management (Salomon & Schork, 2003). A possible reason is that under female leadership there existed more cohesive teams through their communicative and interactive skills.

Strachan, Burgess and Sullivan (2004, p.196) suggests that "throughout the 1990s there has been a policy shift away from collectivism towards individualism, and away from externally driven social

programs at the workplace towards managerially driven social programs". Managing diversity takes equality beyond the legalistic approach that focuses on an employer's obligations not to discriminate under the law. Unfortunately there are underlying biases that form barriers that make it very difficult to implement the managing of diversity through legislative platforms; as such biases have their genesis in areas of law, individual and collective morality and perceived business imperatives. For example: the legal contradictions of the requirements of Workplace Health & Safety and the requirements of EEO an example being the increased susceptibility of some workplace risks for pregnant women as opposed to other members of the workforce.

3.1 Reasons for Increasing Diversity

Regardless of these barriers, Griffin (2000) suggests that organisations are becoming increasingly diverse today for four basic reasons, which are: legislation and legal action; changing demographics in the labour force; increased awareness that diversity improves the quality of the workforce; and the globalisation movement. With these trends and changes organisations need to implement effective diversity programs for all levels if the organisation wants to remain competitive, as diversity will be even greater in the future. Unfortunately there are barriers that hinder organisations from reaching their full potential. The strongest force for diversity makes is that it makes good business sense in our changing world. This fact will assist in overcoming the barriers to change.

Institutional Barriers

Equal opportunities approaches have been suggested as being outdated and unable to meet future challenges, as their origins lie in the social and political agendas of the 1960s and 1970s (Wilson & Iles, 1999). It is against this background that the concept of managing diversity has developed. Williams (1990, p17) suggests, that "it's asking people to examine and change long-standing convictions, some so completely ingrained that they are unconscious". Also, the workplace should mirror the customer base if it is going to identify and meet their expectations.

One research paper (Adam, 2004) found that many male managers are ill-equipped to handle diversity as they have been part of Australia 's corporate 'boys' club' culture. There are tendencies to protect minorities from challenges, judge their efforts harshly, and rely on stereotypes and assumptions (Copeland, 1988). The acting chief executive of the Equal Opportunity Commission of Victoria, Matthew Carroll states: "The Act has been in force for 26 years but sadly in 2004 women still don't earn as much as men, are subjected to sexual harassment, get sacked for being pregnant and suffer from widespread discrimination"(CCH Limited, 27 October 2004).

Perhaps the most insidious problems emerge because individuals who should know better fail to incorporate the philosophy behind EEO/AA into their own behaviours. The intent of EEO/AA laws is to bring about social equity, and the most important move is to recognise potential or actual blockages (Belohlav & Ayton, 1982). Because these are primarily behavioural reactions to perceived threats, the organisations must develop appropriate incentives so that the managers will want to change.

The Competitive Paradox

Covey (1996, p.3) states that "to have enough freedom, flexibility, range, and reason to deal effectively with the dynamic tension between opposites, a person needs both IQ (traditional intellectual quotient) and EI (emotional intelligence)". Covey (1996) goes on to say that unless executives learn to deal intelligently with three paradoxes they will not gain or retain the resiliency needed to maintain a competitive edge.

Covey's (1996, p.3) paradoxes are:

1. You must cooperate in order to compete,
2. You must be changeless at the core in order to change, and
3. You must celebrate diversity to achieve unity.

Paradox 1. You must cooperate in order to compete. This means that unless there is a spirit of cooperation and partnership ultimately there will be a loss in the marketplace because other companies have achieved a high level of synergy.

Paradox 2. You must be changeless at the core in order to change. This means that unless something is permanent then optimisation of changes cannot occur, as there is no secure base. For example many

executives listen only superficially because they build their security on structure and systems that worked for them in the past. However, these structures and systems are becoming obsolete, uncompetitive and unresponsive (Covey, 1996). Covey (1996, p.4) states "you don't need mental categories that predispose you to prejudgements or prejudices towards people, to classify people according to their educational attainment, socio-economic status, or their organisational position. Rather, with EI, you see everyone as equal. No one is better than anyone else".

Paradox 3. You must celebrate diversity to achieve unity. If there is no unity then diversity becomes dysfunctional or counterproductive. Unity in diversity will maintain the flexibility and resilience needed to be competitive.

As stated by Covey (1996, p.4) "we need both IQ and EI to understand and manage the three universal paradoxes and keep our competitive edge". Therefore to maintain a competitive edge in a fast changing external environment and dealing with management who do not have the IQ and EI that is necessary to accommodate these changes, an organisation would have difficulty in managing diversity without the aid of legislation.

5. Equal Opportunity/Managing Diversity

Managing diversity has entered the rhetoric of the equality debate. There are some differences between equal opportunity and managing diversity, one of which relates to the force for change. External forces drive equal opportunity and managing diversity is driven internally (Ross & Schneider, 1992) and is directly linked to the business case (Carnevale & Stone (1998), as cited in Blaire, McDougall, Masson, & Maxwell, 2000). The other perspective is that equal opportunity is perceived as an operational issue (Wilson, 1996) but on the other hand managing diversity is more a strategic issue which is critical for economic and competitive success (Wilson, 1996).

There is another distinction between managing diversity and equal opportunity. Equal opportunity primarily focuses on the issue of discrimination whereas managing diversity is concerned with ensuring that all people maximise their potential (Blaire, McDougall, Masson, & Maxwell, 2000). Managing diversity and equal opportunity are both concerns for all levels of an organisation particularly management and should not be left to the human resource department to address.

Further research shows that managing diversity brings with it a necessary change in organisational culture and management style (Iles (1999), as cited in Blaire, McDougall, Masson, & Maxwell, 2000). The impact of these changes means that organisations must adapt, rather than individuals conforming. Managing diversity takes a more holistic approach where organisations are the focus; whereas equal opportunity has its focus on specific groups within organisations, such as women and minorities.

Managing diversity has been found to contribute to organisational success. It enables the best talent to be recruited and retained and fosters more creativity that ensures business survival through resilience and flexibility: it reduces costs associated with turnover and absenteeism and improves customer service (Ross & Schneider, 1992; McNeerney, 1994; Kandola, 1995; Gardenswartz & Rowe, 1998;). Unfortunately the espoused rhetoric on managing diversity is often confronted with the reality of outdated organisational practices in key human resource areas.

Managers, who operate at the macro level, or pressure groups, have influence but without this influence most workplace diversity initiatives fail because many people do not have a complete understanding of what managing diversity entails and therefore they perceive EEO/AA legislation as an outcome rather than a tool for moving to higher levels of organisational development.

6. Conclusion

This paper concludes that Diversity Management needs to be supported by Equal Employment Opportunity and Affirmative Action legislation. It explored the theoretical background of Equal Employment Opportunity and Affirmative Action in an international and Australian context. The aim of legislation was to provide social equality and assist with the removal of discriminatory practices in the workplace. Due to legislation and legal action, changing demographics in the labour force, increased awareness that diversity improves the quality of the workforce, and the globalisation movement, managing diversity is a major bottom-line issue for management. Unfortunately there are underlying biases that form barriers that make managing diversity difficult to implement without the full support of management.

Managing diversity encourages people to look at the whole equal opportunities area and to see how the concept can enhance unity for an organisation that seeks a competitive advantage.

To manage diversity Covey (1996) suggested that executives needed to have IQ (traditional intellectual quotient) and EI (emotional intelligence). Unless executives learn to deal intelligently with diversity through Covey's three paradoxes they will not gain or retain the resilience needed to maintain a competitive edge. According to research there are numerous cases that show prejudices and organisational culture difficulties that need to be overcome. But the question was asked, 'can managing diversity work without the assistance of EEO/AA'? For many organisations the answer currently would have to be 'no'.

Equal Opportunity and Managing Diversity were examined for differences and it was shown that Equal Opportunity focused on discrimination issues whereas managing diversity is concerned with ensuring that all people maximise their potential. Unfortunately managing diversity has to deal with the reality of organisational practices in key human resource areas so unless senior management acts as a pressure group to force equality by instilling cooperation and collaboration, EEO/AA legislation needs to be in place.

Reflecting on the first quote by Martin (2004) where people are viewed as a cost to business rather than the basis of business success, managing diversity and EEO/AA will struggle. In a knowledge economy, organisations need to know what factors lead to future income-earning capacity – they need to find and develop good leading indicators, because investments in people take time to bear fruit.

The paradox is that while managing diversity is holistically focused on organisations, its success will depend on the attitudes, knowledge and behaviours of key individuals within an organisation.

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About the Author

Joan Pares has been a student at the Australian Catholic University , Brisbane , since 1996 where she completed a Bachelor of Arts and Bachelor of Business degrees. Her majors were Behavioural Science and Human Resource Management. Upon completion she had an opportunity to study a Postgraduate Certificate in Policy Studies through Murdoch University as she had gained employment with the Academic Registrar and felt that it would be of benefit to that position as her major was Tertiary Educational Management and Policy. Joan then took up the position of Industry Experience Coordinator with the School of Business & Informatics (Qld) due to her vast industry experience as well as having a good understanding of student issues. Her desire to be involved with students led her to study for an MBA at ACU National of which she has only 2 units left before completion. This has also allowed her to tutor students in Human Resource subjects. Her academic interests lie in Psychology and currently she is looking at further study to become a Psychologist.