

The Role of Culture Dimension in Management Control System to Enhance Employee's Motivation

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Abstract - Management Control System (MCS) is always designed to meet its biggest goal as a goal congruence between company and employee. As the implication, many approach yet tools had been developed to provide best practices upon the MCS itself. However, as a set of framework which directly influenced by multiple indigenous factors, MCS has transformed into an integrated part beyond its initial function as planning and controlling tools. Therefore, MCS should not only accomodate the goal within management but also fit the object of MCS implementation which is the employee itself. One of the factors to measure the congruence level between management and employee value is the difference between culture dimension of both parties. CV. A is a local plastic company located in Pasuruan. As one of the subsidiaries of its corporation, it inherits several indigenous value beneath its MCS implementation and cultural relationship within it. Served as actual report of daily problems which occurred, the role of culture dimension could be deeply analyzed through combined theoretical and practical approach. Hence, balanced highlight could be given between the system and the response upon the subjected employee's culture.

Keywords: Management Control System, Human Resource, Culture Dimension, Motivation.

Introduction

Indonesian purchasing power had increased 9,57% in 2012 (BPS, 2013). Combined with increasing population of 1.49% and hence potential market, Badan Pusat Statistik (2013) reveals a solid 6.21% economic growth in 2012. Those three key indicators provide an insight of outstanding Indonesian growing

market that apparently influence overall sectors including consumer and household products, and plastic industry. However, the uncertainty in Indonesian macroeconomic also put a downward pressure in the overall industry performance. Competition had become an inevitable phenomenon. In order to overcome the efficiency, Management Control System (MCS) elapses its presence as one of the internal solution to increase efficiency.

The outstanding results of MCS implementation seems to omit the problems arrived earlier in manufacturing industry. Yet, it had several conditions to be fulfilled for achieving best result. Most critical aspect would be likely awarded to the culture suitability in the implementation of MCS. Commonly used workforce culture theory is the culture dimension developed by Hofstede (1983). Upon a workforce culture in a certain organization, management should analyze and identify the culture dimension beneath the employee. In the case of management control system, there are 4 culture dimension which highly affect the design of control system itself including Power Distance, Masculinity, Individualism and Long Term Orientation.

Through identified dimensions, company could measure the gap between the control system and employee expectation. Higher congruence level among those two variables could increase the likelihood of control system to increase employee motivation as well as its performance. Motivation as the internal control of employee provides a less repressive control approach in MCS implementation. Owing to this, developing highly-motivated employee could indeed build a culture of high performance where the rapid working pace is generated internally rather than from forceful external influence (Robson, 2005).

Apparently, different culture dimension had brought a different response upon the same control system implementation within business groups. Generalization and failure to interpret the culture dimension would therefore reduce the likelihood of system success. The level of participation, gender perceived value, control tightness as well as incentives system become the actual implication of the cultural differences between subsidiaries and therefore need a special treatment to achieve goal congruence function of MCS itself.

Methods

The author started the internship period in CV. A from 4 March 2013 until 30 April 2013. The internship itself is conducted in 8 working hours per daily basis which is being done 3 days a week on Monday, Friday and Saturday. The milestone of CV. A (MP) is began with the previous existence of its headquarter, CV. X. In the growing needs of printing industry in Surabaya, Mr. TL established CV. X in 1988 in Surabaya which focus on providing printing services as well as retail product including wrapping plastic, stationery and retail consumer packaging. Through the prominent growth in this industry, CV. X conduct several expansion and factory site location movement for several times to Rungkut, Gempol and finally Gresik until the time this report is being made. Based on the consideration of rapid changing business environment in Indonesia, Mr. TL as the president director of CV. X expand its business through several establishment of its subsidiaries in several diversified major. The first subsidiary is CV. Y which located in Pallangga, South Sulawesi. It focuses on producing retail consumer plastic product in Greater Makassar and nearby region. The second subsidiary is CV. Z which located in Gresik and producing printing ink product to support CV. X production as well as providing general ink support. The last expansion is CV. A in Pasuruan, East Java. It mainly produces the same array of product with CV. Y and therefore acquires relatively similar product knowledge, system and corporate culture.

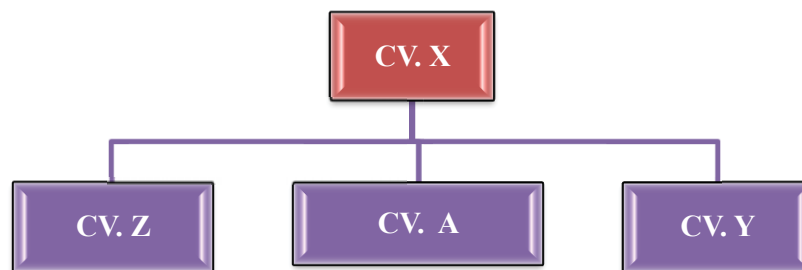


Figure 1. Organizational Relationship

The author itself was positioned in Operational Department as Operational Supervising Staff. The main job description of operational department would be handling day-to-day operation of manufacturing process in CV. A from issuing

production order until delivering finished goods to the logistic staff. Considering those job description, objectivity and ease of data could be gathered due to high level of contact with operational staff. The data gathering itself is conducted by close-up observation which strengthened by separated interview and questionnaire survey towards employee. The results from those phase would hence translated into an input upon further analysis and suggestion to put an insight on system improvement.

Results and Discussion

Promoting efficiency in manufacturing industry requires strong control in the operational activity. It means that the control system has to be able to give exact procedure and standard on the desired process. Through the standardized procedure and system, the productional process could promote higher efficiency in which become an objective pursued in manufacturing industry.

That is exactly the objective being pursued in CV. A through the application of their management control system. They combine an integrated system of tight and standardized procedure with the organic organizational structure that freed the flow of inter-departmental workforce. Standardized procedure in the operational process ensure the desired result as well as the expected standard in performing the daily operational process. It would therefore give a guideline for both front line employee such as machine operator and controlling supervisor to reduce biases in measuring performance. However, in term of organizational structure and job description, CV. A promotes less restraint for inter-departmental workforce flow. For this reason, CV. A emphasize multi-skill knowledge to the employee to give more creativity to solve daily operational problem occurred in the outgoing process.

The control system in CV. A also uses hybrid system of human and system supervising process. Supervisor holds the main role in assessing the performance of employee through comparing the actual performance with the standard performance. On the other hand, the system provide routine control system such

as CCTV control, attendance control as well as personnel restraint to several valuable storage/warehouse

Table 1.
CV. A Control System Implementation

<u>Action Controls</u>		
Type of Control	Availability	Operationalization
Physical Constraint	Yes	<ol style="list-style-type: none"> 1. Entry Restriction to High Value Storage 2. CCTV Implementation
Administrative Constraints	Yes	<ol style="list-style-type: none"> 1. Limitation on sales order receipt based on sales type and value.
Preaction Reviews	No	-
Separation of Duties	Yes	<ol style="list-style-type: none"> 1. Separation of sales order cycle within three different staffs and departments.
Action Accountability	Yes	<ol style="list-style-type: none"> 1. General rules involving overall employees 2. Standard Operating Procedure for technical standard and rules
Redundancy	No	-
<u>Personnel Controls</u>		
Type of Control	Availability	Operationalization
Selection and Recruitment	Yes	<ol style="list-style-type: none"> 1. Standardized recruitment based on top management supervision
Training	Yes	<ol style="list-style-type: none"> 1. Orientation Process. 2. Technical training
Job Design and Provision of Necessary Resources.	No	<ol style="list-style-type: none"> 1. Each job description is derived from standard operating procedure and therefore designed in equal basis.
<u>Result Controls</u>		
Type of Control	Availability	Operationalization
Performance Measurement System	Yes	<ol style="list-style-type: none"> 1. Emphasizing operational activity towards efficiency, quality and consistency. 2. Code of Conduct
		<ol style="list-style-type: none"> 1. Lack of formalization of incentives

Incentives System	No	system
<u>Cultural Controls</u>		
Type of Control	Availability	Operationalization
Organizational Culture	Yes	<ol style="list-style-type: none"> 1. Emphasizing operational activity towards efficiency, quality and consistency. 2. Code of Conduct

Based on observed workforce environment, separated interview and also survey conducted within internship period, culture dimension among CV. A is being mapped into several aspect. Even though Hofstede's culture dimension appears to be a set of 6 inter-related aspect, deeper analysis are being made upon only 4 out of 6 dimensions. It's caused by the limitation of the culture dimension itself that aim to relate the current employee's culture dimension toward the effectiveness of management control system beneath the company.

Table 2.

CV. A Employee's Culture Dimension Questionnaire Result

<u>Power Distance</u>					
Opinion Acceptance		(%)	Participative Decision Making		(%)
Yes		100,0	Yes		100,0
No		0,0	No		0,0
<u>Masculinity</u>					
Gender Equality		(%)	Leader Preferences		(%)
Yes		66,7	Female		9,5
No		33,3	Male		90,5
<u>Collectivism</u>					
Mentor	(%)	Function	(%)	Criteria	(%)
Yes	100,0	Role Model	14,3	Age	0,0
No	0,0	Leader	33,3	Experience	90,5
		Feedback Channel	52,4	Other	9,5

Long Term Orientation		
Incentives Criteria		(%)
Average		33,3
Above Average		66,7
Not Necessary		0,0
	Performance Measurement Criteria *least percentage shows higher result	(%)
1	Presence	5,5
3	Productivity	15,7
2	Quality	10,7
6	Standard Time	24,7
5	Working Experience	23,4
4	Active Participation	20,0
Incentive's Form		
1	Money	50,0
2	Family Member Scholarship	17,6
4	Promotion	5,6
6	Award	3,7
3	Family Holiday Trip	16,7
5	Training	4,6
7	Spiritual Trip Package	1,9

Upon the insight and data gathered from the company, it had been clear that Management perspective towards employee is identified as a less interactive approach which design a system based on company vision, mission and value. Employee culture dimension often viewed as unimportant aspect to be considered. Therefore, certain decision making process is viewed as a conflicting objectives by the employee itself which could be seen from the disparity displayed below:

Table 3
Culture Dimension – MCS Disparity

Power Distance Dimension		
Aspect/Problems	Management Perspective And Actual Condition	Employee Dimension Culture
Authority Sharing	Lack of regular employee-management meeting	Demand an equal opportunity of opinion presentation and

		acceptance beyond organizational structure and level.
Participative Decision Making	Only exist in high managerial level Lack of regular employee-management meeting	Demand a participative decision making system, especially for decision directly related to employee. (e.g: benefit, working hours, etc.)
<u>Masculinity-Femininity Dimension</u>		
Gender Equality	Not exist. Gender restriction is occurred in PP, HD and Straw department.	Demand equal gender equality for any department. Emphasize on skill-based job selection.
Leader's Gender	Leader's gender is not managed by any rules or customs.	Prefer male leader or direct reporting superior rather than female.
<u>Collectivism Dimension</u>		
Mentor	Don't exist yet; Only have operational administrator and administrator	Demand a team leader in each department which directly engage in operational process.
Mentor Role		Demand a mentor who could be a feed back channel as well as role model rather than a passive leader.
Mentor Criteria		Demand experienced and skilled employee to be appointed as a mentor.
<u>Long-term Orientation Dimension</u>		
Incentives System	Don't exist in formal form. Only appear on incidental or informal bonus for certain employee based on director's	Demand a reward for 'above average' performance in daily operational activity.

	subjective consideration	
Incentives Criteria	Quality and Quantity	Preferred incentives criteria are: <ul style="list-style-type: none"> • Attendance • Quality • Quantity
Incentives Form	Focused on monetary-based incentives	Prefer a wide array of incentives form rather than single choice of incentives: <ul style="list-style-type: none"> • Money • Family Member Scholarship • Promotion • Family Holiday Trip

Conclusions and Recommendations

The application of Management Control System (MCS) in CV. A only appear as tactical tools to run daily operational activity. However, deeper and more integrated system to be used as management strategic tools has not been conducted yet. Clear application of MCS exists in term of action control inside CV. A. Tight standardization with rigid Standard Operating Procedure (SOP) is translated into decisive aspect of company's MCS. This system would therefore limit the creativity and room of innovation of employee. Regardless the stated feedback channel in the organizational structure, the actual result of power distribution and decentralization appear to be very minimum

Organizational behavior and attitude are set upon a direct translation from company's vision and mission. Efficiency, quality and consistency had been a guideline in every aspect of the company. Those strategic aspects of company are clearly seen through the daily activity of employee that tends to fulfill the exact value and vision that company pursue. For instance, Personnel control had obtained a clear application in term of selection and recruitment aspect. However, the remaining function especially training need to be developed in broader approach. It's caused by the current training method only emphasizes on the technical skill of employee. Therefore, the human resource development is limited

to develop the narrow potency of employee rather than broader possibility of the employee itself. Result control in CV. A is apparently limited only in measurement phase. Clear SOP implementation had been a clear guideline to assess employee performance based on each production result. However, the incentives systems appear to be less focused aspect since formal system of remuneration had not been applied yet.

Employee's culture dimensions served dispersed result over the analysis. Homogenous result could be found over Power Distance , Masculinity and Collectivism Index. Masculinity and collectivism index score relatively high whereas power distance dimension remain low. However, relatively dispersed answer could be found over Long Term Orientation index of employee. Being correlated to the motivational aspect of employee, the driving factors of employee motivation are conclusively varied. Ranging from intrinsic and non-monetary incentives to extrinsic and monetary based incentives.

Thus, in order to ensure employee opinion is delivered properly in regular basis, a regular agenda should be conducted. Through this regular agenda, management could have a broader perspective of problems and expectation lie within their own employee. Moreover, through employee's perspective, it could give higher sense of belonging and commitment by the fact the decision make derived from their own opinion. However, not every feedback could be delivered comfortably within large forum. Therefore, it is important to assure the protection of feedback source identity for certain sensitive and confidential feedback.

In the case of gender's perspective, current job design limits female employee participation in PP, HD and Straw machine department. However, in order to meet employee expectation and pursue best performance in operational activity, a skill-based job design should be developed. Therefore, any operational or field position could be fulfilled by any gender within specified skill requirement. Nevertheless, an unique paradox that is found within employee culture dimension is preferred gender upon field leader. Hence, to maintain great leadership influence in operational department, male leader should be prioritized

and female employee could be designed to have a career path towards non-operational management.

Employee in CV. A expect an experienced mentor within any team in operational department to be feedback channel, role model, as well as leader. Futher job design should conduct to elect an experienced and respected employee to be mentor. It should be emphasized that mentor or team leader should be engaged directly in operational activity rather than possess passive supervising function. Thus, the role-model function could really be implemented to put a positive peer-pressure which at the end of the day increase employee's motivation.

Last but not least, incentives would be the most critical aspect to be improved. Providing a multi-variable assessment with proportion defined with management could make employee be more motivated to conduct highest level of performance within all aspect in daily activity. Moreover, to cope with multi variable performance measurement, multi-form incentives system could be used to ensure highest needs fulfillment effort is performed within the system. Through this system, the amount of money gathered from incentives system could be managed into other form of incentives with the help of management. For instance, the same amount of Rp 1.000.000 could be delivered either in form of cash, holiday or children's scholarship.

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FOREWORD

INSYMA has become a tradition of its own for the Management Department of Universitas Surabaya. For more than a decade this event has become a forum for academics and practitioners to share knowledge. Every year Management Department always brings the latest theme that becomes an important issue for the development of science.

This year, INSYMA raise the theme **SUSTAINABILITY AS A STRATEGIC BUSINESS ORIENTATION IN GLOBAL ECONOMY RECOVERY PHASE**. This theme interesting, considering recently, the companies are adapting to volatile and uncertain conditions as a way of life to survive. There are some important business issues and each requires a specific and appropriate response. These issues are namely governance, innovation technology, operations, regulations, risks, strategy & growth, sustainability, talent and the economy issues. The company requires its own way to deal with each of these issue so that the companies can achieve business growth and survival.

Hundreds of scientific papers are sent to a conference committee, and the results of a rigorous selection of more than 90 elected. This paper is derived from a variety of authors, both within and outside the country, academics and practitioners. All the articles are then presented at the symposium and documented in these proceedings.

We hope that these proceedings can contribute to the development of science and business practices. Hopefully you can enjoy and gain valuable lessons from this article collection. We look forward to your participation in next INSYMA.

Makassar, South Sulawesi, Indonesia
13th-15th March 2015

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