

## **Cultural Diversity as a source of economic growth**

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### **Overview:**

**When managed with Cultural Intelligence (CI) cultural diversity has great potential to enhance the Toronto Region's economic growth.**

In simple terms:

Hyper diversity + Cultural Intelligence = Innovation

In this vision, innovation supports competitiveness and economic development. Emphasis will be placed on Cultural Intelligence (CI) as a key management tool in making this diversity a positive force for enhanced performance and economic growth.

I will focus on three areas 1) demographics: 2) the relationship between innovation and diversity and; 3) CI as a catalyst for growth

### *1) Demographics*

In his 1998 article "The Future that has Already Happened" Peter Drucker<sup>1</sup> suggested that demographics more than economics or technology would be the dominant factor for business over the next two decades. The past ten years have borne out his thinking on under population and the need to improve productivity..

The Toronto region is one of the richest metropolitan economies in the world, and especially so in relation to the more than 100,000 immigrants who come here each year. This cultural richness could underpin success. Toronto is a global village, a potential learning lab ready to go forward. Important components of CI are already in place and more so than in most other countries and cities. Britain's Commissioner on Equality and Human Rights Trevor Phillips speaks of Canada as having developed a generally positive attitude towards immigration and negotiating differences successfully that is possibly unique in the world.<sup>2</sup> CI could take Toronto to the next level.

Peter Drucker's insight into the effects of 'under population' on the economy provides a conceptual link between immigration and developing the Toronto region's future talent pool. The business case for diversity is that giving the best talent access to the broadest markets will produce the greatest results. The Toronto region has that talent. Toronto's immigrants are well educated.<sup>3</sup> . They have economic political and social insight and connections in their home countries waiting to be tapped.

Polls of prospective emigrants worldwide show that Toronto is top of scale as a positive destination. 'Like attracts like' in that Toronto is known to be multi cultural and so immigrants chose to come here. Richard Florida speaks to the "creative class" and asks "Who's your city?"<sup>4</sup>

Is Toronto perfect as it relates to integration? No, however, we are making progress. For example, the recently established Fairness Commission charged with helping IEPs receive licensing faster is a good start.

Seven years ago when it appeared that stakeholders in the Toronto region were not making optimal use of diversity, I started to search for partners to run an annual conference specifically

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<sup>1</sup> In Peter F. Drucker, *Peter Drucker on the profession of management*, Boston, Mass. Harvard Business School Press, 1998.

<sup>2</sup> *Toronto Star* March 2008

<sup>3</sup> as per StatsCan

<sup>4</sup>

for over 1000 internationally educated professionals (IEPS) to find better ways for them integrate into the workforce. I saw this as an economic development initiative. The City of Toronto stepped forward along with *The Toronto Community News* for the same reason. The goal was to bring attention to the stakeholders such as employers, licensing bodies, associations, educational facilities and IEPS themselves. We knew the Employers needed to start learning more how to work with IEPS and see the many benefits.

Today the Toronto region's employers are starting to see the competitive advantage associated with integrating IEPS into their workplaces. There are now numerous initiatives (TRIEC, DIGB ICTC)<sup>5</sup> across Toronto mandated to engage this future talent pool; learn where it will come from in the future; and discover best practices for recruiting engaging and retaining immigrants.

## 2) *the relationship between innovation and diversity*

Susanne Justesen's<sup>6</sup> research shows how policy makers can use a "community of practice framework" informed by CI to move beyond cultural differences among stakeholders to mutual engagement in a shared practice field.

Philippe Legrain<sup>7</sup> argues that innovation comes not from individuals but from groups of talented people sparring off with each other. Foreigners with different ideas, perspectives and experiences add something extra. This can be summed up as:

diversity = difference = innovation

In advanced economies, during periods of rapid change such as the present, the value of diversity and the creativity it spurs, come into their own. That is why the old recipe for economic growth is not good enough anymore. Days can be spent trying to solve a problem but add a fresh pair of eyes and a different perspective and suddenly an answer appears.

Toronto's rich cultural diversity enhances creativity to its peak. A diverse employee group means that Toronto is becoming worldlier without having to leave the city and work with people who present different ideas about doing things—hence, innovation

Edward de Bono in his work on lateral thinking has expounded the advantages of non-linear approaches for bringing in high levels of creativity, trouble-shooting and problem solving. It is for the leaders of the Toronto Region to create the right opportunities and develop institutions facilitating growth and development. And this is one of the strategies outlined in Toronto's agenda for prosperity

Take the example of India, with its vast multi-cultural, multi-lingual, multi-religious population. India's change in focus in strategic leadership in the 1990s enabled it to see the double digit growth today. This parallels the Toronto today as it advances strategically toward using the potential wealth inherent in a multicultural population.

Multi-nationals are able to grow and develop faster and more efficiently than their solely domestic counterparts, by funneling thought and action into a single, multi-streamed direction. Proctor and Gamble<sup>8</sup> is only one example of an organization with the operating philosophy that diversity outperforms homogeneity and which communicates that belief throughout the company in a variety of ways.

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<sup>5</sup> The Toronto Region Immigrant Employment Council; Diversity Is Good Business; Information & Communications Technology Council

<sup>6</sup> See [www.innoversity.org](http://www.innoversity.org)

<sup>7</sup> Philippe Legrain, "Cosmopolitan Masala : Diversity Enriches us All" *Yale Global Online*, 16 November 2007

<sup>8</sup> Rhonda Singer, "Watch for cultural biases in assessing employees", *HR Reporter*, August 19, 2006

A recent study cited by the Bank of Montreal (BMO)<sup>9</sup> indicates that racial diversity is associated with:

- Increased sales revenue
- More customers
- Greater market share
- Greater relative profits

Companies are not only looking externally to market their products to local and global markets but also looking internally at hiring practices. Major organizations such as banks and engineering firms are searching for IEPs to reflect the marketplace... all of which are factors supporting economic growth

At this year's IEP conference we presented research on strategic workforce planning and IEPs. A survey of Employer perspectives on IEPs<sup>10</sup> conducted in the summer of 2007 had discovered that, overall Toronto region employers are committed to cultural diversity and to integrating IEPs into their strategic workforce plans: the survey found:

- Eighty-seven percent of Toronto region employers surveyed viewed IEPs as critical and vital to filling future workforce skills needs
- Ninety-six percent of employers surveyed deemed cultural awareness an essential skill employers; with 75% considering cultural intelligence as a highly essential and vital skill for GTA front-line managers
- More than 80 % of employers agreed that middle managers would benefit from sharpening their CI skills

In summary, Toronto region employers are beginning to understand that a diverse workforce requires a new form of management in order for both the employer organization the individual employee to succeed.

The shrinking talent pool is the driver. When demographics have shifted to the degree that the skills shortage makes stringent adjustment necessary, the specific experience and language of potential employees will be less important than will their competency. The real issue and opportunity within this increasing diverse workforce is cultural differences.

So Toronto has more than the richness of culture. More importantly, the region has the potential for significant CI. It is could be made readily available through a collaboration among recent immigrants, pre-existing cultural groups and mainstream Toronto. The opportunity is not only in resolving difficulties of cultural diverse demographics but also in exploring the potential of this diverse gold-mine for mutual growth and benefit. We need CI as an essential skill so that all players in Toronto region economy can operate more effectively. The underpinnings are in place to use those learnings and apply them in all the aspects of economic development both locally and internationally.

Any development model in a multi-cultural environment has to have multiple approaches to both solving the complexities and harnessing the potential of diversity.

### ***Three aspects of CI relevant to the Toronto region at this time***

- 1) CI is a widely researched subject
- 2) There are meaningful differences among cultures and these differences affect workplace performance and introduce complexity
- 3) CI is a core management skill for the global workplace that is right here, right now in Toronto

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<sup>9</sup>Yasmin Meralli, "A Business Case for Diversity," JSW Conference, 2007.

<sup>10</sup> <http://pcpi.ca/pdf/wpiepr.pdf>

### 1) *CI is a widely researched subject*

Beginning with psychologist Geert Hofstede's work at more than 50 global subsidiaries of IBM in the 1960s, CI has been rigorously researched by many and has become a core theme of the discipline of organizational development.

Researchers have found that CI can increase an individual's capacity for personal growth through learning and understanding of diverse cultural heritage and deeply rooted values. CI provides knowledge and tools to lower cultural barriers and to increase the ability to interact more effectively. Culture is like gravity in that it is possible to ignore it until it is necessary to move beyond its constraints (for example, by jumping six feet in the air.!) And since most of us do not realize we see life through remarkably different lenses, we are in a disconnect mode. Differing views of the world can pose challenges but also opportunities to learn how people can work successfully together in a multi-cultural environment.

*To be more culturally intelligent we need three things to happen:*

1. Acquire knowledge to get to the "Aha!" or the awareness level at we see life profoundly differently
2. Practice mindfulness rather than mindlessness.
3. Adapt behaviour or learning by doing to build adaptive skills and a repertoire of behaviors that are effective in varying cultural environments.

The Toronto region could be a remarkable learning lab and has most of the pieces in place: A microcosm of the global village, immigration, and (as shown in surveys) a positive attitude and the will.

The City's slogan "Diversity Our Strength" is well chosen.

Central to the Toronto region's economic advantage is tapping CI so that all stakeholders can learn how to navigate through our country's culture to work culture to corporate culture to (finally) Performance Plus for the region.

Research has shown that CI:<sup>11</sup>

- Predicts a culture's behaviour
- Clarifies individual behaviour
- Assists in optimal decision making about intercultural situations
- Increases the effectiveness of task performance
- Improves adjustment to culturally diverse settings
- Prevents giving offence

Notably, people who have a higher level of cultural intelligence adjust more positively to situations characterized by cultural diversity.

According to Linn Van Dyne<sup>12</sup> benefits of CI include:

#### **1. Effective Communication:**

Understanding cultural communication styles of others makes for more effective communication. This understanding allows communication to overcome barriers to working together such as stereotyping and conflict.

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<sup>11</sup>David C. Thomas & Kerr Inkson, *Cultural intelligence : people skills for global business*, San Francisco, CA : Berrett-Koehler, c2004

<sup>12</sup> <http://www.linnvandyne.com/recres.html>

## **2. Mutual respect:**

Knowledge of cultural difference provides understanding beyond members of our own specific cultural group. Appreciation of patterns of cultural difference allows them to remain within a broader framework of mutual respect.

## **3. Acceptance of cultural differences:**

Awareness of cultural differences does not have to divide individuals from each other. And this awareness does not have to paralyze, either, for fear of saying something wrong. Rather becoming more aware of cultural differences similarities can make communication more effective.

## **4. Deeper knowledge and understanding:**

Different communication styles can reflect deeper philosophies. These beliefs are the foundation of culture. Understanding them gives a broader perspective on opportunities the world has to offer

## **5. Encourage Innovation:**

Cultural difference can foster potential energy. This organizational energy can fuel innovation.

The Toronto region's multiculturalism gives us an opportunity for communities of practice that can be spread to achieve innovation, growth and more. Twenty-first century globalization could provide fertile ground for each cultural group to thrive, complementing other groups and increasing the total competitive advantage of the whole. This region has only to consolidate its experience and lessons learned in CI into marketable expertise.

*In summary:*

*How can CI enhance the workplace and therefore productivity and performance?*

An important but widely overlooked principle of business success is that integrating opposites, as opposed to identifying them as inconsistencies and driving them out, unleashes power.<sup>13</sup>

The concept of team is already an implicit recognition that people of varying educational and experiential backgrounds bring different contributions and that by working with these differences can enhance decision making and action. This is central to knowledge management, a process through which organizations generate value from their intellectual capital.

Accepting CI as another dimension of effective knowledge management is critical to an organization meeting and achieving its business objectives. CI has become a necessary tool for managers and decision-makers working with diverse teams, customers, partners, competitors, government, and other business players.

Organizations are able to leverage their diversity by thinking on a multi-perspective cross cultural level. This type of innovation provides the organization with a competitive advantage in the local and global marketplaces.

The cultural diversity of the Toronto region could be a significant key to economic growth. But the region needs more leadership strategies for multicultural collaboration and communities of practice using CI as the key. As a microcosm of the global community, Toronto is a city for the world to watch and learn from.

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<sup>13</sup> (Stevens 2001)