



Capitalising On Culture

A Study of the Cultural Origins
of ASX 200 Business Leaders

Sponsored by



Australian Government

Supported by IBM



Written by Dr Jane O'Leary

Report embargoed until 4.00am AEDT Wednesday 23th October 2013

An electronic version of this document can be found on the DCA website at
<http://www.dca.org.au/dca-research.html>



Diversity Council Australia Limited
Level 25, 133 Castlereagh St, Sydney, NSW, 2000
Phone: 02 9035 2852

Materials contained in this document are the ©Copyright of DCA Ltd, 2013.

If you wish to use any of the materials contained herein, please contact DCA Ltd at the address above for consent and direction on appropriate acknowledgment.



“ In today’s rapidly changing world, a company’s culture and its people are a critical source of differentiation, and will determine whether a company embraces opportunity and change, or becomes obsolete. Diversity Council Australia’s research shows some encouraging breadth and depth in cultural diversity amongst business leaders, but we still have a way to go before our leadership teams and workforce represent the diverse communities in which we live and the increasingly global markets we serve.

The ability to work collaboratively with stakeholders across regional and global markets will play a crucial role in the success of our firm, as it will for many organisations. This is why diversity and inclusion are integral to our strategy. Greater regional and cultural understanding will become a necessity, especially in the context of the ‘Asian Century.’ The *Capitalising on Culture* report will help organisations measure their own cultural diversity, understand where they have gaps and learn how they can capitalise on the benefits that a culturally diverse talent pool can bring. ”

LUKE SAYERS
CEO, PWC AUSTRALIA



“ IBM understands the advantages of a culturally diverse and aware workforce. As a global company operating across nine time zones in 170 countries, where more than 70 languages are spoken, cultural diversity is one of our greatest strengths – and we pride ourselves on leveraging the best talent to work with our clients in solving their most complex business transformations. In a recent global survey of more than 600 senior executives at IBM, possessing a global mind-set, was listed as one of the top three attributes needed by our future leaders. That’s why this study by the Diversity Council Australia is so timely. Now more than ever it is important to capitalise on the full breadth of talent in the marketplace. A culturally diverse workforce, at all levels from graduate hires through to executives, fosters creativity and innovation which is essential to any company’s ongoing success. The *Capitalising on Culture* study outlines a compelling business case for organisations to ensure a culturally diverse and capable leadership team. ”

ANDREW STEVENS
MANAGING DIRECTOR
IBM AUSTRALIA AND NEW ZEALAND

CONTENTS

ACKNOWLEDGEMENTS	vi
EXECUTIVE SUMMARY	1
WHY CAPITALISE ON CULTURE?	6
The Case For Capitalising On Culture: Surviving & Thriving in Disruptive Times	6
Is Your Organisation Capitalising On Culture?	6
Start Capitalising By 'Counting Culture'	8
Methodology Overview	9
THE EVIDENCE BASE FOR CAPITALISING ON CULTURE	12
BOARD DIRECTORS	14
Snapshot	14
Breadth Of Cultural Diversity	14
Most Common Cultural Origins	15
Cultural Diversity Amongst Directors	16
Multiple Directorships By Cultural Diversity	17
Have We Achieved Critical Mass?	17
Cultural Diversity Amongst Executive Directors	17
Cultural Diversity Amongst Chairs	18
SENIOR EXECUTIVES	20
Snapshot	20
Defining Senior Executive	20
Breadth Of Cultural Diversity	21
Most Common Cultural Origins	21
Cultural Diversity Amongst Senior Executives	23
Have We Achieved Critical Mass?	24
Cultural Diversity Amongst CEOs	24
INDUSTRY BREAKDOWN	26
Snapshot	26
Culturally Diverse Directors By Industry	26
Culturally Diverse Senior Executives By Industry	28
STATE BREAKDOWN	30
Snapshot	30
Background	30
Culturally Diverse Directors By State	30
Culturally Diverse Senior Executives By State	33

GENDER BREAKDOWN	35
Snapshot	35
Breadth Of Cultural Diversity By Gender	35
Most Common Cultural Origins By Gender	35
Cultural Diversity Amongst Directors By Gender	36
Multiple Directorships By Cultural Diversity & Gender	37
Cultural Diversity Amongst Senior Executives By Gender	38
Are ASX Companies Doing Better on Cultural Diversity Or Gender?	39
INTERNATIONAL COMPARISON	41
Snapshot	41
Background	41
Cultural Diversity Amongst Directors	41
WHAT NEXT? CAPITALISING ON CULTURE IN YOUR ORGANISATION	43
Make A Compelling Case	43
Use The Right Tools	43
Define Differently	44
Double-Dip	44
Benchmark, Benchmark	44
Go Wide	44
Value Cultural Assets	45
Identify Critical 'Drop Off' Points	45
Critically Review Organisational Filters	45
Build CQ	45
Inclusion, Not Colour Blind Assimilation	46
METHODOLOGY	47
A First Step In 'Counting Culture'	47
Data Collection	47
Data Analysis	48
Name Analysis Validation & Accuracy	50
Definitions & Benchmarks	51
LEIGHTON GROUP'S CULTURAL DIVERSITY JOURNEY	54
GLOSSARY OF TERMS	56
APPENDIX: ASX 200 COMPANIES	58



ACKNOWLEDGEMENTS

Diversity Council Australia ('DCA') would like to particularly thank our partner, the federal government's Australian Multicultural Council, and lead corporate sponsors PricewaterhouseCoopers Australia ('PwC') and the Australian Government, and supporting sponsor IBM. Without their support, this project would not have been possible.

DCA's thanks and appreciation goes to the federal government's Workplace Gender Equality Agency for generously sharing their ASX 200 data set.

DCA would also like to thank OriginsInfo for undertaking the data analysis so thoroughly and rigorously and sharing important key insights and interpretations along the way.

The project has benefited significantly from the intellectual and practitioner insights of our partners, sponsors, supporters and broader project reference group including:

- Julie Bisinella, Group Head of Culture and Engagement, ANZ Banking Group
- Dr Margaret Clark, Assistant Director, Multicultural Affairs, Department of Immigration and Border Protection
- Simon Corcoran, Project Delivery & Diversity Leader, PwC
- Besa Deda, Chief Economist, St George Bank
- Michael Dove, Principal, OriginsInfo
- Niki Kesoglou, (former) Head of Diversity & Inclusion, Asia Pacific, Credit Suisse
- Pino Migliorini, Chair, Federation of Ethnic Communities' Councils of Australia
- Sheba Nandkeolyar, President, Australia India Business Council, New South Wales
- Rivkah Nissim, Principal Adviser, Race Discrimination, Australian Human Rights Commission
- Dr Jane O'Leary, Research Director, DCA
- Catherine Petterson, Communications Director, DCA
- Belinda Reynolds, Workforce & Diversity Manager, IBM Australia
- Dr Graeme Russell, expert diversity & flexibility industry consultant
- Judge Rauf Soulio, Committee Chair, Australian Multicultural Council
- Katriina Tahka, Cultural Diversity Director, DCA
- Prof Lucy Taksa, Head of the Department of Marketing & Management in the Faculty of Business and Economics at Macquarie University
- Jo Tilly, Research & Policy Manager, DCA
- Sarah Wormwell, Organisational Development Manager, ANZ
- Talal Yassine, Committee Member, Australian Multicultural Council
- Nareen Young, Chief Executive Officer, DCA

This project was conceived and developed by DCA's Chief Executive Officer, Nareen Young, Dr Graeme Russell, and DCA's Research Director, Dr Jane O'Leary.



EXECUTIVE SUMMARY

***Capitalising on Culture: A Study of the Cultural Origins of ASX 200 Business Leaders* is a partnership research initiative between Diversity Council Australia ('DCA'), the federal government's Australian Multicultural Council, and PricewaterhouseCoopers Australia ('PwC'), the Australian Government and IBM.**

This first-of-its-kind project enables Australian organisations to capitalise on culture in the workplace. It provides organisations with a compelling business case for building a culturally diverse and capable leadership team, sourcing talent from diverse local, regional and global settings. The project then offers the language and innovative tools organisations need to measure and build workforce cultural diversity and the inter-cultural capabilities this can bring.

The Case For Capitalising On Culture: Surviving & Thriving in Disruptive Times

PwC's 16th Annual Global CEO Survey calls this the "disruptive decade", characterised by economic and market volatility, increasing labour demands and market competitiveness, and a uncertain global economic outlook.

One key strategy for organisations looking to not only survive but thrive in today's uncertain times is to 'capitalise on culture.' Executive and workforce cultural diversity is linked to increased innovation and creativity, market share and sales revenue, brand reputation and differentiation, and improved financial performance. A culturally diverse and capable leadership team can therefore assist an organisation to broaden its strategic perspective, identify and enter new local and global markets, innovate, achieve business goals in culturally diverse business settings, and generate high performing multi-national and multicultural teams. PwC's survey found that many global CEOs are thinking about the cultural competence of their leadership teams to better match their market demands. It's time for Australian business to follow suit.

Is Your Organisation Capitalising On Culture?

In this landmark research we show organisations how they can take a first critical step in effectively capitalising on culture, by 'counting culture'. Measuring the degree and breadth of culturally diverse talent in an organisation's leadership team, workforce, customer base, and labour market pool will help its CEO and business leaders assess how well the current workforce supports the markets and clients they serve.

In this project DCA worked with project sponsors, partners and other subject matter experts in industry and academia to:

- Identify innovative tools Australian organisations can use to 'count culture';
- Use these tools to generate a series of first-of-their-kind status reports on the nature and extent of cultural diversity in Australia's executive workforce; and
- Describe next steps future-focussed organisations can take to continue capitalising on culture in their executive ranks.

Summary of Findings:

Overall Snapshot

57

different cultural origins among directors

74

different cultural origins among senior executives

one in five

leaders have culturally diverse (non-Anglo-Celtic) origins

North West Europe

from where most culturally diverse leaders originate

culturally diverse CEOs
culturally diverse chairs

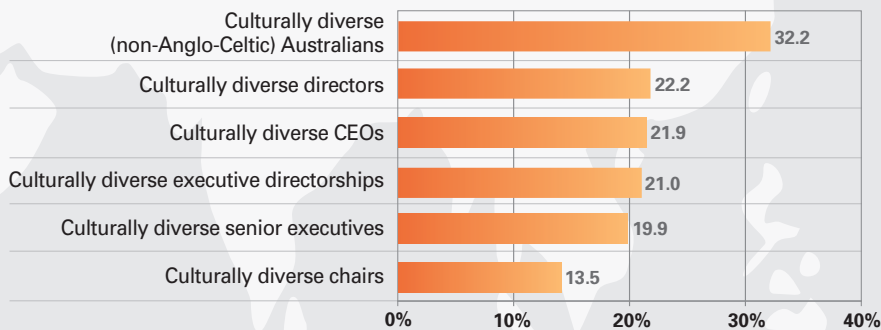
21.9%

13.5%

one in three

companies achieved critical mass of 28% culturally diverse leaders

Australian Community Benchmarking



State Benchmarking



NSW, WA and VIC have highest proportion of culturally diverse directors

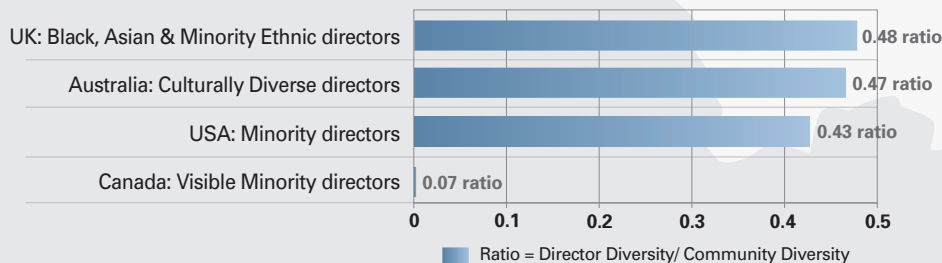


QLD has closest match between leader diversity and community diversity



NSW has least alignment between leader diversity and community diversity

International Benchmarking



Industry Benchmarking



Commercial & professional services

High Ranking



Transportation and Automobiles & components

Low Ranking



Materials

(sizeable proportion of Australian economy) ranks high for culturally diverse directors



Banking

(also sizeable proportion of Australian economy) ranks low for culturally diverse directors

Gender Benchmarking

Culturally diverse female and male leaders on par

culturally diverse female directorships
culturally diverse male directorships

22.0%

20.4%

But very small pool of culturally diverse female leaders

culturally diverse female directors
culturally diverse male directors

29

233

As a first step in capturing the cultural makeup of ASX 200 business leaders, DCA collaborated with OriginsInfo, a unique market segmentation consultancy, to use name analysis to explore the cultural origins of board directors and senior executives. OriginsInfo's name analysis has strong analytical power, as well as the benefit of being a simple, quick and cost-effective way of gaining an understanding of the cultural mix of a workforce, labour market catchment, customer base or other population. (See *Methodology* chapter for detailed information on the benefits and limitations of this approach).

This report and its findings constitute an important first step in capturing the cultural mosaic of ASX business leaders, to be followed by an online survey which will ask ASX board members and senior executives about their cultural heritage, cultural identity and global and multilingual experience (for more information [click here](#)).¹

Are ASX 200 Companies Capitalising On Culture?

We found some encouraging breadth and depth in cultural diversity amongst ASX 200 business leaders, along with some opportunities to better capitalise on cultural diversity.

Breadth Of Cultural Assets. In all, 57 different cultural origins were identified amongst ASX 200 board directors, and 74 different origins amongst ASX 200 senior executives.

Most Common Cultural Assets. The most common cultural origins identified amongst ASX 200 business leaders were English, Scottish, Irish, German and Welsh. ASX 200 business leaders appeared to originate mainly from Anglo-Saxon (English) and Celtic (Scottish, Irish and Welsh) cultural backgrounds (77.8% of directors, 79.9% of executives).

Next most common were business leaders from North West European cultural backgrounds (10.9% of directors, 10.2% of executives), followed by Southern and Eastern European origins (6.9% of directors, 7.4% of executives), with leaders from Asian, African, Middle Eastern and Pacific Island origins having lowest levels of representation. This trend reflects Australia's British colonisation history and the successive waves of migration to Australia since World War II.

1 in 5 ASX 200 Business Leaders Are Culturally Diverse. Approximately one in five ASX 200 business leader positions are held by leaders with culturally diverse origins:

- 22.2% of all ASX 200 *directors* could be described as culturally diverse, where 'culturally diverse' refers to directors from non-Anglo-Celtic cultural origins² (i.e. European, Asian, African, Middle Eastern and Pacific Islander origins). This degree of cultural diversity was comparable to that found amongst ASX *senior executives* (19.9%). It was less than that found in the general Australian community (32.2%).³

What is Cultural Diversity?

'Culture' describes a common set of norms and values shared by a group, while 'cultural diversity' refers to variation between people in terms of ancestry, ethnicity, ethno-religiosity, language, national origin, race, and/or religion.

1 DCA's definition of cultural diversity does not specifically focus on Indigenous identity. While we recognise the cultural diversity among Indigenous people, we consider that the issues require specific consideration in the context of Indigenous Australians' unique position as First Nations people.

2 Following OriginsInfo's analytical approach, we have used the term 'Anglo-Celtic' to refer to Anglo-Saxon (mainly English) and Celtic (Irish, Scottish, Welsh) cultural origins.

3 Based on OriginsInfo's analysis of the Australian community. OriginsInfo has access to a file representing 14.4 million adults from across the Australian community. This file is coded with Origins codes enabling users to create a benchmark file for Australia as a whole and any geographical unit within Australia. The cultural mix of this file broadly aligns with the nearest equivalent proportions found in the over-18 population at the 2011 Census. This file enables like-for-like comparisons between an Origins coded list of names (such as customers, employees, or, as in this report, ASX200 directors and executives) and the most appropriate geographically defined market within Australia.

1 in 3 ASX 200 Companies Achieved Critical Mass. Close to a third of ASX 200 companies had achieved a critical mass of culturally diverse business leaders (defined for the purposes of this report as 28% or over):

- 57 companies (28.5%) had achieved a critical mass of culturally diverse directorships, while a welcome 28 companies (14.0%) had reached a threshold of 40% or over of culturally diverse directorships. A similar proportion of companies had achieved a critical mass of culturally diverse senior executives – 64 companies (32%), while 28 companies (14.0%) had reached a threshold of 40% or over of culturally diverse executives.

Capitalising On A Broader Range Of Cultural Assets

While the above findings are welcome signs that ASX 200 companies are capitalising on culture amongst their business leaders, it is important to point out that adopting a different definition of 'culturally diverse' reveals a different story – namely, that ASX 200 companies could better capitalise on talent originating from Australia's more recent waves of migration, such as leaders originating from Southern and Eastern Europe and Asia.

Degree of Cultural Diversity Drops Markedly. When the narrower definition of 'culturally diverse' is adopted, the degree of culturally diverse ASX 200 business leaders drops by at least half. Where 'culturally diverse' refers to people with Southern & Eastern European, Asian, African, Middle Eastern and Pacific Islander cultural origins (i.e. North West European cultural origins are no longer included):

- The proportion of culturally diverse directors falls from 22.2% to 11.3%.
- The proportion of culturally diverse senior executives falls from 19.9% to 9.7%.
- The proportion of ASX 200 companies which met a critical mass threshold in culturally diverse directorships falls from 28.5% to 8.0%.
- The proportion of ASX 200 companies which met a critical mass threshold in culturally diverse executives falls from 32.0% to 10.0%.

North West European Cultural Origins Prevail. This finding indicates that, after Anglo-Celtic, by far the biggest proportion of culturally diverse ASX 200 business leaders have North West European cultural origins (e.g. Dutch, French, German). Business leaders with cultural origins beyond this (e.g. Chinese, Greek, Indian, Italian) are markedly less visible among the leadership ranks. Leaders with North West European cultural origins reflect those cultural groups with the longest history of migration to Australia, as well as the cultural groups that are culturally most similar to the dominant 'host' population of individuals with an Anglo-Celtic heritage.

What Next For Future-Focussed Organisations?

For organisations wanting to better measure and capitalise on culture in their executive ranks, DCA makes the following recommendations:

1. **Make A Compelling Case.** Use the business case to build understanding and engagement around cultural diversity in your organisation.
2. **Use The Right Tools.** When undertaking workforce analytics, use cultural diversity survey tools that are suited to a contemporary multicultural Australian business context.
3. **Define Differently.** Investigate the cultural mosaic of your workforce using multiple definitions of cultural diversity, as different definitional approaches will generate different workforce insights.

4. **Double-Dip.** Analyse your data by gender *and* cultural diversity simultaneously. As the findings in this report demonstrate, considering both together yields important additional workforce insights.
5. **Benchmark, Benchmark.** Benchmark your cultural diversity survey findings to identify how well your workforce reflects and can therefore attract, respond to and service the cultural diversity in your existing and emerging markets.
6. **Go Wide.** Pro-actively engage executive talent from a broad range of cultural origins, including from Southern and Eastern Europe and Asia. This is particularly pertinent given the degree to which Australian businesses are being urged to develop their Asian capability in 'the Asian Century'.
7. **Value Cultural Assets.** Value global experience and multiple cultural identities when making recruitment and promotion decisions, as research shows people with these experiences and characteristics can generate positive outcomes for the business.⁴
8. **Identify Critical 'Drop Off' Points.** This is the job level where the cultural diversity in the pipeline drops off significantly and thus compromises your organisation's ability to develop and promote culturally diverse talent into the leadership group. Target leadership development and talent management initiatives at this level, to fast track high potential culturally diverse talent into leadership roles.
9. **Critically Review Organisational Filters.** Review leadership models, value statements, and succession planning criteria and assessment to ensure these do not contain statements and concepts that unintentionally filter out culturally diverse talent.
10. **Build CQ.** Invest in building cultural intelligence or cultural quotient (CQ) – that is, leaders' ability to adapt as they interact with people with different cultural backgrounds to their own.
11. **Inclusion, Not Colour Blind Assimilation.** To experience the business benefits of cultural diversity, organisations and business leaders should adopt an inclusive rather than assimilatory or colour blind approach to managing workforce diversity.⁵

4 W. Maddux, A. Galinsky, and C.T. Tadmor, 'Be a Better Manager: Live Abroad', *Harvard Business Review*, September, 2010. <http://hbr.org/2010/09/be-a-better-manager-live-abroad/ar/1>

C.T. Tadmor, P.E. Tetlock, and K. Peng, 'Acculturation Strategies and Integrative Complexity: The Cognitive Implications of Biculturalism', *Journal of Cross-Cultural Psychology*, vol. 40, no. 1, 2009, pp. 105-139.

A.K-y. Leung, W.W. Maddux, A.D. Galinsky, and C-y. Chiu, 'Multicultural Experience Enhances Creativity: The When and How', *American Psychologist*, vol. 63, no. 3, 2008, pp. 169-181.

5 A colour blind approach emphasises the importance of ignoring group differences and judging one another as individuals. An assimilation approach focusses on assisting culturally diverse employees to conform to existing 'mainstream' organisational practices. In contrast, an inclusive approach focusses on mutual adaptation on the part of all employees, rather than just culturally diverse employees. Inclusive workplace environments are pluralistic, incorporating new and different ways of thinking, interacting and working into the way business is done so that all individuals, whether members of majority or minority groups, are able to contribute to the organisation. From this perspective, cultural differences are seen as giving rise to different life experiences, knowledge, and insights, which can be used to generate alternative views about work and how best to accomplish it (Ely & Thomas, 2001).