

Philippe Legrain - 'Making diversity work for your business in a time of global economic downturn'

This event was hosted by the Office of Ethnic Affairs.

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Good afternoon

It's a real pleasure to be here with you today.

It's a cliché that in this age of globalisation, the world is getting smaller.

But as many of you will know from personal experience, after a 25-hour flight from London, the world doesn't feel THAT small.

Yet while New Zealand remains remote geographically, it is intimately connected to the rest of the world through its incredibly diverse people.

That is a huge – and often undervalued – asset.

Now some people will say that in these difficult times, when we are in the midst of the worst economic crisis since the Great Depression, New Zealand has more important things to worry about than diversity.

Others will feel that its diversity is actually a cost that it could do without.

But New Zealand's diversity is not just an inescapable reality – it is a lifeline to the world and can be a launch pad for recovery.

Embracing diversity is not just a luxury for the good times.

On the contrary, it is precisely at difficult times like these that it is important for everyone to dig deep and do everything possible to make the most of the widest pool of talent available.

Now, of all times, New Zealand simply cannot afford to let its many talents go to waste.

Their individual skills and collective diversity can be a vital source of competitive advantage for New Zealand businesses both locally and globally.

New Zealand will always be smaller than most; that's why it needs to be smarter than most in order to survive and thrive.

I'm going to talk about the power of diversity, the huge benefits it can bring to your business and to the economy as a whole, and what you need to do to unleash that power.

To see the power of diversity in action, you just have to turn on the sports channel on your TV.

Last week's Champions League semi-final between Manchester United and Arsenal was ostensibly an all-English affair.

But in fact, it was nothing of the sort.

Man Utd fielded players from 10 different countries, and Arsenal from 9.

The goal scorers were from South Korea, Portugal and Holland.

Now some people might think that such diverse teams,

made up of players from so many different countries,

speaking so many different languages,

and each with their own individual style of play, could not gel together as a team.

But actually, it works.

As Arsenal's French manager Arsène Wenger explains: "Each person brings from his own culture the positive side, which all comes together in the service of efficiency. That is the beauty. It is almost magical."

Unfortunately, Arsenal weren't quite magical enough to win, but then perhaps that's because Man Utd's team had even more impressively diverse talent.

What football teaches us is that if you want to be a world-beating team, you have to attract the world's best talent.

If you stick solely with home-grown players while others search far and wide for new stars, you are going to fall behind.

And while you might think that a team where everyone comes from a similar background will work more effectively as a unit, in fact teams where different players learn from each other and try out new ways tend to perform much better.

And what is true in football applies more widely, because like football, most businesses and organisations nowadays rely on teamwork.

Having a diverse team can benefit your bottom line in lots of ways.

For a start, diversity stimulates greater creativity, which can help your business to innovate and solve problems.

As you know, even in a recession, businesses need to continually innovate to stay ahead of their competitors:

- come up with new, better-quality and better-value products and services,
- find ways to cut costs without damaging sales,
- improve their business and production processes,
- strengthen their management and organisation.

In fact, it is precisely during a recession when your competitors may have their eye off the ball and neglect innovation that you can steal a march on them.

Innovation can be a big breakthrough or a series of small steps forward across the board; the important thing is to keep trying to do things better.

Now we tend to think that innovation comes from the brilliance of individual geniuses – and it's true that some does.

And history and global experience shows that the exceptional individuals who come up with brilliant new ideas often happen to be immigrants.

Instead of following the conventional wisdom, they tend to see things differently, and as outsiders they are more determined to succeed.

It's a remarkable fact that over 70 of America's 300 Nobel prize-winners were born abroad, as were 22 of Britain's 114.

But while those achievements are hugely impressive, most innovation nowadays does not come from individual geniuses, it comes from talented people sparking off each other – and diverse people with different ways of thinking, different perspectives and different experiences add something extra to the mix.

After all, if there are ten people in a room trying to come up with the solution to a problem and they all think alike, then no matter how talented they are, their ten heads are no better than one.

But if they all think differently, then by bouncing ideas off each other, they can come up with solutions to problems faster and better, as a growing volume of research shows.

That's why studies show that an increase in the number of foreign science and engineering students at US universities not only raises the number of patents granted to universities, it gives a big boost to patents granted to businesses, as foreign graduates who stay on in the US add to the productivity of the wider economy.

Just look at Silicon Valley: Google, Yahoo!, and eBay were all co-founded by people who arrived in the US as children, working together with people born in the US.

In fact, nearly half of America's venture-capital-funded business start-ups were co-founded by immigrants.

Now if even a huge economy like the US relies so heavily on diversity to fuel the industries of the future, just think how important it is for New Zealand's much smaller economy.

And since 23% of people in New Zealand were born overseas, 15% are Maori, over 17% speak two or more languages, and nearly everyone else interacts with them to varying degrees, your business has a huge source of competitive advantage on its doorstep.

After all, the benefits of diversity aren't just limited to internet start-ups: the extra creativity it brings is useful across the country to every business that needs to innovate and solve problems.

It could be a small business that is trying to think up better ways of marketing its products.

It could be a larger one that is trying to become greener.

It could be a consultancy that is trying to provide better management advice, or a retailer that is trying to think of new ways to satisfy its customers' changing needs.

A diverse workforce may help your business develop new products that are better targeted to your diverse customers' needs. Or they may help you develop new products that better meet **all** of your customers' needs.

In fact, the beauty of diversity is that innovation often comes about from serendipity.

One day in 1904, at the World Fair in St Louis, the ice cream vendor ran out of cups.

Ernest Hami, a Syrian waffle vendor in the booth next door, rolled up some waffles to make cones – and the rest is history.

And just as waffles and ice cream combine to create something new and better, the ice cream cone, so do diverse people.

They can not only handle any contingency thanks to their different skills, they can also combine their differences to create even better solutions.

Creativity and innovation are two huge benefits of diversity.

A third is flexibility.

Exposure to different cultures tends to broaden people's horizons and make them more accustomed to difference.

It helps both managers and employees think 'outside the box', to be more open to change and to adapt more readily to it.

And businesses with a diverse workforce have a wider variety of skills at their disposal, so they can adjust quickly to changing circumstances.

Those are vital qualities in today's tumultuous times when technology and economic conditions are in constant flux.

And an added bonus is that a business that has learned how to manage diversity internally is better placed to cope with it externally too—in its relationships with suppliers and customers, for instance.

Diversity can also help your business tap new markets overseas.

New Zealand is home to over 200 ethnic groups, which can provide contacts and insight into foreign markets around the world.

A diverse workforce can help to boost your exports, to find new suppliers and to bring in, or make, new investments.

Just look at the trading networks that have long existed among ethnic Chinese across Asia.

Now Chinese New Zealanders can help connect this country to China and the rest of Asia's dynamic markets.

They are the future.

Yet this huge potential is still largely untapped, since only 5% of New Zealand's exports go to China, whereas over 11% of Australia's do.

Over 13% of Wellington's population are of Asian origin; make the most of them.

Diversity can also act as a magnet for talent.

As Professor Richard Florida documents in *The Rise of the Creative Class*, “Regional economic growth is powered by creative people, who prefer places that are diverse, tolerant and open to new ideas”.

New Zealand’s diversity can be a key asset in attracting talented people to come work here, and the diversity of your workforce can help to attract and retain the new talent on which your business’s future depends.

So whether it is by innovating, solving problems, improving marketing, boosting exports, or attracting new talent, diversity can improve your bottom line.

The question is: how do you make the most of this potential?

What does your business need to do to unleash the power of diversity?

Go back to those ten people in a room trying to come up with the solution to a problem.

If they all think differently, they may not only be more creative, they are also like to disagree more.

They may fail to understand each other, or talk at cross purposes.

They may end up arguing, or even come to blows.

Clearly, unless it is properly managed, diversity can generate more heat than light.

That’s why you need to make sure everyone in your company shares the business’s goals and values.

You need to be aware of the potential for conflict and misunderstanding, and try to avoid it.

And if you need it, you can turn to the Office of Ethnic Affairs for advice on diversity management and intercultural awareness.

While the power of diversity may be wasted if it is not properly channelled, it can also be lost if it is not championed.

For a start, those diverse people actually have to be in the same room together, since many of the benefits of diversity come from different people interacting with each other.

Once they are there, they also have to be encouraged to speak their minds.

If there is too much pressure to conform to conventional wisdom, their diversity may be stifled.

They have to feel that their diversity is valued, or they may do their best to suppress it, or simply go work elsewhere.

And people have to listen to their ideas, be open to what they have to say, and follow through, or else they may give up trying.

In short, to unleash the power of diversity, you have to bring people together, believe in them, value them, and match words with actions.

That means businesses need to do more than just pay lip service to the benefits of diversity, they have to truly value it.

It means actively seeking to attract, retain, and make the most of diverse employees and migrants.

It means making newcomers feel welcome.

It means treating diverse people as an asset, rather than as a cost.

Value people's differences, don't try to stifle them.

And it means helping everyone to fulfil their potential: investing in training, making the best use of people's skills, and offering opportunities for promotion.

And last but not least, businesses need to be geared towards innovation and invest in new ideas.

To sum up, diversity is New Zealand's biggest asset.

It can be a huge asset for your business too.

But its benefits are not automatic.

To make the most of it, you need to embrace the 7 Cs:

1. Connect people together
2. Channel their efforts constructively
3. Communicate clearly
4. Create cultural awareness
5. Cherish diversity
6. Champion opportunity
7. Cultivate innovation, enterprise and change

Thank you.