

Leading for Change

A blueprint for cultural diversity
and inclusive leadership

July 2016



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Leading for Change: A blueprint for cultural diversity and inclusive leadership

ISBN 978-1-921449-78-9

Acknowledgements

The Working Group thanks Nick Kaldas APM, who was a member of the group until March 2016. Dr Andreea Constantin provided research assistance, with the support of the University of Sydney Business School. Thanks also to Ting Lim, Katherine Samiec, Katie Ellinson, Britt Jacobsen and Evie Watt for their contributions to this work.

‘This Blueprint will help Australian businesses to see what best practice looks like when it comes to cultural inclusion. We think that the Blueprint will have a powerful impact in the community...’

Brian Hartzler, CEO, Westpac Group

‘Diversity is a priority for PwC because it’s the right thing to do, and because it makes business sense. We’re proud to have contributed to this blueprint – it will be a game-changer for organisations looking to make a difference on cultural diversity.’

Luke Sayers, CEO, PwC Australia

‘What I would hope for in ten years time is that we wouldn’t need to be having the conversation around the importance of cultural diversity in leadership because it would be so inherent in the way we do business.’

Andy Penn, CEO, Telstra

‘The University of Sydney Business School is proud to be part of the Blueprint project. This work will enhance understanding of cultural diversity, and challenge organisations to develop and practise inclusive leadership.’

Greg Whitwell, Dean, The University of Sydney Business School

LEADING FOR CHANGE

A blueprint for cultural diversity
and inclusive leadership

Working Group on Cultural Diversity and Inclusive Leadership



Cultural Diversity and Inclusive Leadership

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Dr Tim Soutphommasane
Australia's Race Discrimination Commissioner



Foreword

In our multicultural society, why don't we see more diversity among our leaders? Do we have leadership that is fit for today's Australia?

Holding up a mirror to ourselves isn't easy. We don't always do well with self-examination. But improvement never comes without accepting that we can do better.

Our conversations about cultural diversity must be conducted in this spirit. They should be guided by ambition and aspiration. Doing better is about us fulfilling our potential – as individuals, as organisations, as a society.

At the same time, these conversations require an honest recognition. Attitudes and cultures will have to change – but change won't be inevitable. It may be resisted. Overcoming this requires not only talk, but also action. Good intentions must be turned into staunch commitment.

In June 2015, I invited members of the business and academic community to join me in leading this change. The Working Group on Cultural Diversity and Inclusive Leadership was formed. Consisting of the Australian Human Rights Commission, the University of Sydney Business School, Westpac, PwC Australia and Telstra, the group is responsible for authoring this blueprint.

Our task was to develop a blueprint to guide organisations on how they could improve the representation of cultural diversity in leadership. We recognised at the time that there were significant gaps in data and considerable uncertainty about what works. We hope that this blueprint captures the status quo, and gives clarity to why and how Australia must do better.

During the past year, it has been a privilege to chair the Working Group. I thank the contributions of the group's members: Professor Greg Whitwell, Associate Professor Rae Cooper, Ainslie Van Onselen, Ken Woo, Troy Roderick. Prior to his retirement from the NSW Police Force as Deputy Commissioner, Nick Kaldas APM was also a member.

May we see more leaders now join us in making the case for change.

A handwritten signature in black ink that reads "T. Soutphommasane". The signature is written in a cursive, flowing style.

Dr Tim Soutphommasane
Race Discrimination Commissioner
Australian Human Rights Commission
July 2016

Executive summary

Leading for Change starts the conversation about improving the representation of cultural diversity within Australian leadership. It provides guidance for how organisations can nurture leadership that is fit for our multicultural society and our global economy.

This blueprint is the product of a working group convened by Race Discrimination Commissioner Tim Soutphommasane. The group consists of the Australian Human Rights Commission, the University of Sydney Business School, Westpac, PwC Australia and Telstra. Together, the group shares its experiences in embracing cultural diversity and inclusive leadership.

Leading for Change deals with the following issues:

- the current representation of cultural diversity within the leadership of Australian organisations;
- the case for changing the status quo; and
- how organisations can improve their performance on cultural diversity and inclusive leadership.

Current representation of cultural diversity

Australia's multiculturalism is self-evident. About 28 per cent of our population was born overseas, with another 20 per cent having an overseas-born parent. According to one estimate, 32 per cent of the Australian population have a non-Anglo-Celtic background. However, such cultural diversity is not proportionately represented within the senior leadership of our organisations.

This blueprint provides, for the first time, a snapshot of the cultural composition of senior leaders in Australian business, politics, government and civil society. It finds that the ethnic and cultural default of leadership remains Anglo-Celtic. Australian society may not be making the most of its diverse backgrounds and talents, as figures in the following table indicate.

Table: Cultural backgrounds of Australia's senior leaders (in percentage terms)

	Indigenous	Anglo-Celtic	European	Non-European
ASX 200 (CEOs)	0	76.62	18.41	4.98
Federal parliament (MPs and Senators)	1.77	78.76	15.93	3.54
Federal ministry (Ministers and Assistant Ministers)	2.38	85.71	11.90	0
Federal and state public service (Secretaries and heads of departments)	0.81	82.26	15.32	1.61
Universities (Vice-chancellors)	0	85.00	15.00	0

The case for change

The case for cultural diversity can be emphatically made. Simply put, a more diverse workforce makes for better decision-making. There is mounting evidence that more diverse organisations achieve better performance.

There may also be costs to organisations that fail to practise inclusive leadership. A failure to change can result in decreased productivity, a higher level of turnover and absenteeism and reduced job satisfaction among staff. Then there is reputational damage that can be caused by racial discrimination.

The way forward

Leading for Change proposes actions in three respects: leadership; systems; and culture.

Leadership: senior leaders must have 'skin in the game'

Those leaders who are most successful in advancing diversity understand it both as a moral and business imperative: as something to be done because of their personal values and because their companies need it to be competitive. They also get involved in starting conversations and sending signals to create momentum to improve cultural diversity and inclusion in leadership.

Measuring cultural diversity

Gathering and reporting data on cultural diversity must accompany any leadership commitment to the issue. Doing so gives a baseline for measuring future progress. It also helps to focus minds within organisations.

We understand that measuring cultural diversity is complex but this does not mean we should avoid doing so.

Accountability and targets

To generate lasting change, cultural diversity needs to be embedded in an organisation's goals, strategy and performance. A strong case exists for including realistic and achievable targets as part of one's diversity and inclusion policies.

Dealing with bias and discrimination

Our judgements about leadership may be particularly susceptible to bias. When it concerns advancement within professional life, prejudice can trump diversity. Countering bias and discrimination requires more than just consciousness raising – it also requires training and education.

Professional development: cultivating diverse leaders

Organisations may need to redefine their assumptions about leadership. Promoting inclusive leadership means that people do not end up privileging certain cultural groups over others because of assumptions about what leadership must look and sound like. This can be done through identifying diverse talent, mentoring and sponsorship, and empowering talent through professional development.

Introduction

Australia is often described as a multicultural success story. We rightly celebrate our cultural diversity. Yet our diversity is not reflected in the ranks of leadership within society.

Improving the representation of diversity is both a civic and business concern. The case is not only about living up to our egalitarianism, but also about securing our future prosperity. No society can reach its full potential unless its members have the opportunity to realise their talents. Few now dispute that companies and countries are competing for brainpower and human talent.

Leading for Change starts the conversation about bridging this gap between diversity and leadership. It provides guidance for how organisations can nurture leadership that is fit for our multicultural society and global economy.

The authors of *Leading for Change* are members of a working group established by Australia's Race Discrimination Commissioner in 2015. The group consists of the Australian Human Rights Commission, the University of Sydney Business School, Westpac, PwC Australia and Telstra. Together, the group shares its experiences in embracing cultural diversity and inclusive leadership.

Leading for Change proceeds in three parts. The first looks at the current representation of cultural diversity in senior leadership. The second outlines the case for changing the status quo. The third explores steps organisations can take to improve their performance on cultural diversity and inclusive leadership.

We find that there remains a limited level of cultural diversity represented in the leadership of Australian organisations and institutions. The ethnic and cultural default of leadership remains Anglo-Celtic.

The case for change is supported by research indicating the costs of bias and benefits of diversity. We recommend organisations should consider sending signals on cultural diversity: making a leadership commitment, collecting more comprehensive data, setting leadership targets, introducing better accountability, and enhancing professional development.

Progress takes time – and demands leadership. We trust that *Leading for Change* will help start cultural change in your organisation.

Cultural diversity and inclusive leadership

Diversity refers to the differences that distinguish groups of people from one another. People manifest differences through attributes such as ethnicity, gender, age, disability, class and sexual orientation. This blueprint is concerned only with cultural diversity – those differences that relate to race, ethnicity, ancestry, language, and place of birth.

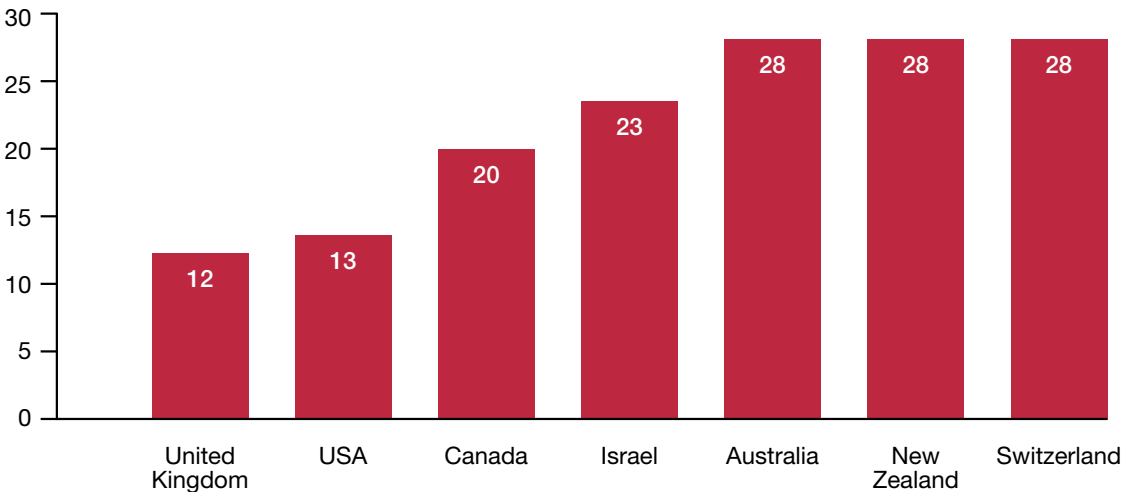
In Australia, we commonly understand cultural diversity in terms of the social changes that have occurred because of immigration. Today's mix of ethnic and cultural backgrounds is the result of successive waves of immigration since the end of the Second World War. A reference to 'culturally diverse' backgrounds is frequently a shorthand for 'non-Anglo-Celtic' ones, though it can more specifically refer to those that are 'non-European'.

There is no one simple way of capturing Australia's cultural diversity. Cultural diversity can be revealed through names, places of birth

or languages spoken. In our everyday lives, it is also something we see on the faces of those we meet and hear in the accents of those with whom we speak.

On various measures, Australia is among the most culturally diverse in the world. Our population is drawn from more than 300 ancestries. About 28 per cent of people in Australia were born overseas, with an additional 20 per cent having a parent born overseas.¹ While there are no official statistics on the ethnic composition of the Australian population, it is notable that close to 20 per cent of people speak a language other than English at home.² One study estimates that about 32 per cent of the general population have a non-Anglo-Celtic background, with more than 10 per cent of the population having a non-European background.³

Figure 1: Foreign-born populations in OECD countries (as percentages)



1. Source: OECD Data⁴

Australia's cultural diversity has been a source of national strength. It has enriched the national culture and identity. It has been accompanied by a high degree of social mobility and integration. The children of immigrants on average outperform the children of Australian-born parents in educational attainment and employment.⁵

Such outperformance, however, does not extend all the way to the top. Cultural diversity is nowhere near proportionately represented within positions of senior leadership. There are clear limits to Australian society's boast that it is diverse and multicultural.

'Cultural diversity is nowhere near proportionately represented within positions of senior leadership.'

In preparing *Leading for Change*, we conducted research into the cultural composition of senior leaders in Australian business, politics, government, and civil society. Our attention was confined primarily to the ranks of chief executives and equivalents. To some extent, this was due to the difficulties in studying the cultural background of organisational leaders at levels below the very top. As there remains limited data collected about cultural diversity, focusing attention on chief executives gave us the best prospect of generating credible data.

Our method involved two stages. First, we identified senior leaders' cultural background. Second, we categorised them according to whether they have an Indigenous background, Anglo-Celtic background, European (non-Anglo-Celtic) background, or non-European background.⁶ The resulting statistics gave us the numerical state of play for the representation of cultural diversity.

We found a bleak story for multicultural Australia.

In corporate Australia, the ranks of senior leaders remain overwhelmingly dominated by those of Anglo-Celtic and European background. Among the 201 chief executives of ASX 200 companies, 77 per cent have an Anglo-Celtic background and 18 per cent have a European background. Only 10 chief

executives – or five per cent – have a non-European backgrounds. None of the 201 chief executives has an Indigenous background.

Such findings are corroborated by Diversity Council Australia (DCA). According to DCA, while about 32 per cent of the general Australian population are culturally diverse (i.e. have a 'non-Anglo-Celtic' background), only 22 per cent of chief executives fall into this category. There was particularly low representation of those who have an Asian background.⁷

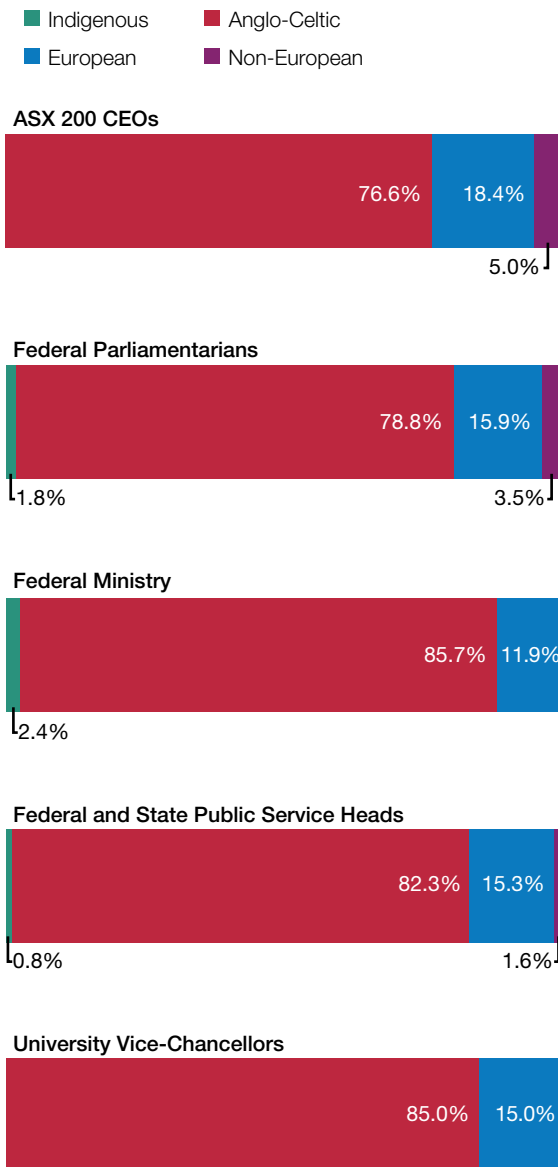
Similar patterns prevail elsewhere. In the Australian parliament, 79 per cent of the 226 elected members in the House of Representatives and the Senate have an Anglo-Celtic background. Sixteen per cent have a European background. Those who have a non-European background make up less than four per cent of the total, while those who have an Indigenous background comprise just under two per cent.⁸

Cultural diversity is even lower within the ranks of the federal ministry. Of the 42 members of the ministry, 86 per cent have an Anglo-Celtic background, 12 per cent have a European background; there is one member of the ministry who has an Indigenous background (two per cent), though none who has a non-European background.⁹

In the Australian public service, diversity is also dramatically under-represented. Of the 124 heads of federal and state departments, it is notable that there are only two who have a non-European background (less than two per cent) and one who has an Indigenous background (less than one per cent). Eighty-two per cent of departmental heads have an Anglo-Celtic background, with 15 per cent having a European background.

Among our universities, it is much the same – and in some respects worse. All of the 40 university vice-chancellors either have an Anglo-Celtic background (85 per cent) or a European background (15 per cent). There is not one vice-chancellor who has either an Indigenous or non-European background.

Table 1: Cultural backgrounds of Australia's senior leaders



Australian society may not be making the most of its cultural diversity. The reasons for this are various, but include bias and discrimination. Professionals from culturally diverse backgrounds report that organisations understand leadership in ways that privilege ‘Anglo’ cultural styles.¹⁰ International research on leadership and race also suggests that in predominantly ‘white’ work environments, leaders who are ‘people of colour’ may face disadvantages because they are not perceived as legitimate and because power inequities in organisations privilege ‘whiteness’.¹¹

Laws do exist against discrimination in employment. At the federal level, the *Racial Discrimination Act* prohibits unfavourable treatment because of race, colour, ethnicity or national origin. Various legislation also exists at the state and territory levels.

Getting the most out of cultural diversity, however, requires more than just having laws or rules in place. It is broadly recognised that what is required is a ‘culture of inclusion’. This is a culture in which differences are recognised and valued, and in which different voices are heard in decision making.¹²

As described by Catalyst, employees experience inclusion within the workplace when they simultaneously feel both a ‘sense of uniqueness’ and a ‘sense of belongingness’. These refer, respectively, to employees feeling recognised and valued for their distinct talents and perspectives, and to seeing themselves as ‘insiders’ who share common goals with colleagues.¹³

Within this context, ‘inclusive leadership’ refers to some of the attributes that leaders can adopt in order to promote inclusion. For example, Catalyst identifies four such behaviours – empowerment, humility, courage and accountability – which contribute to employees feeling a sense of ‘psychological safety’, and reporting a greater sense of uniqueness and belongingness.¹⁴ Elsewhere within the literature, inclusive leadership is understood to mean that a leader ‘supports all individual members of groups to express their opinions, with emphasis on those who would not usually have their voices heard’.¹⁵

This paper adopts an applied view of inclusive leadership. It proposes that organisations that are inclusive of cultural diversity must meet two requirements. First, if employees are to be valued for their ‘uniqueness’, it should follow that leadership may also come in more than one form. Leadership may, that is, look and sound different from an Anglo-Celtic or ‘white’ (and male) norm. Second, any notion of ‘belongingness’ should also extend to positions

of leadership. Those of culturally diverse backgrounds should not feel excluded from the senior echelons of their organisations, as though they are perennial outsiders.

Inclusive leadership, then, means that the ranks of leadership must *include* cultural diversity. A commitment to cultural diversity must involve a preparedness to change the status quo of cultural representation.

Figure 2: An applied view of inclusion

Context	Uniqueness	Belongingness
General	Employees feel recognised and valued for their distinctive qualities	Employees share common goals with colleagues
Leadership	People and systems within an organisation understand that leadership may come in more than one cultural form (every leader is <i>unique</i>)	People and systems within an organisation believe that the ranks of leadership should be open to all (those of culturally diverse backgrounds will feel that they can <i>belong</i> within the ranks of leadership)

The case for change

Some may argue the under-representation of cultural diversity in leadership is not a problem. It may simply reflect the relatively short amount of time that Australian society has been multicultural. With time, we may well see a natural improvement.

Such arguments are familiar. Also familiar are suggestions that a principle of merit should guide decisions about appointment and promotion. According to this view, taking an active concern with representation elevates equality of outcomes above equality of opportunity.

It may be comforting to believe that decisions in organisations are guided purely by considerations based on merit. Yet a considerable body of research now demonstrates that we are not always perfectly rational – that biases can affect our decision-making, as individuals and as organisations.¹⁶

This does not deny the appeal of a meritocratic ideal or the idea of ‘careers open to talents’. It is a modern aspiration to have a society where appointments go to the most qualified, and not to those who come from the right families or have the right background. It is just that the ideal is not always realised in practice. The level playing field presumed by meritocracy does not always exist.

The current representation of cultural diversity in positions of leadership may reflect some impediments to equal opportunity. And, if such impediments do exist, it may indicate that we have a problem of unfulfilled talent. Organisations may not be promoting the best people; opportunities for growth and innovation may be squandered.

The case for cultural diversity can be emphatically made. Simply put, a more diverse workforce makes for better decision-making.

In a notable study, economist Scott E. Page found that a group drawn from a diverse pool of people was superior to a group drawn from talented individual thinkers in solving difficult problems.¹⁷ The reason is that a unique kind of learning takes place when people from different backgrounds come together, one that does not occur within groups that are homogenous. Experiences with diversity – including cultural diversity – are associated with improved cognitive skill and intellectual self-confidence.¹⁸

‘... a more diverse workforce makes for better decision-making.’

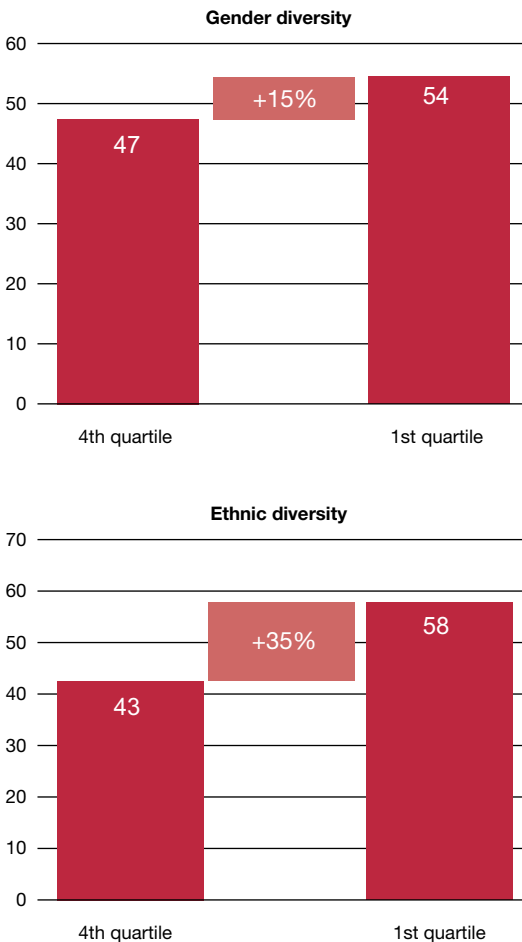
There is mounting evidence that more diverse organisations achieve better performance.

Analysis conducted by McKinsey, for example, indicated a positive relationship between a more diverse leadership team and better financial performance. In a study of 366 companies from the United Kingdom, Canada, Latin America and the United States, McKinsey found that companies in the top quartile of cultural diversity were 35 per cent more likely to have financial returns above the national industry median.

The findings of the study also indicated the relative scale of gains that accrue from cultural diversity. Companies in the top quartile for gender diversity were 15 percent more likely to have financial returns above their respective national industry medians.¹⁹ At least on the evidence of this study, the benefits of cultural diversity may be even *greater* than those generated by gender diversity.

Figure 3: Cultural diversity and financial performance – How diversity correlates with better financial performance

Likelihood of financial performance above national industry median, by diversity quartile %



Source: McKinsey Diversity Database

Other evidence backs such findings. A study of talent and growth by economists in the United States suggested that up to 20 per cent of productivity growth in the US from 1960-2008 can be attributed to a reduction in discrimination (sex – and race-based). Another American study indicated that every 1 per cent rise in gender and ethnic diversity results in 3 to 9 per cent rise in sales revenue.²⁰

A different way of understanding the matter is in terms of cost. If under-representation of cultural diversity in leadership is symptomatic of bias and discrimination, this is not without its consequences. While there is limited research that has authoritatively quantified the financial cost of racial discrimination to society at large, they are likely to be substantial.²¹

At the organisational level, the nature of the cost can be various: decreased productivity, a higher level of turnover and absenteeism, reduced job satisfaction among staff. It is estimated that about 70 per cent of workers exposed to racial and other discrimination take time off work.²² A separate estimate indicates that the average cost of an organisation responding to a discrimination grievance is about \$55,000 per case.²³

Then there is the reputational damage that can be caused by racial discrimination. In the United States, where racial discrimination class actions are more common, companies including General Electric, Denny's, Wal-Mart and Abercrombie have experienced litigation that has attracted intense public attention and scrutiny.

Even short of litigation, allegations of racial discrimination can do considerable damage to a corporate brand. For example, in 2015, Leslie Miley, the highest-ranking African-American engineer at Twitter, publicly quit the company and claimed that Twitter failed to recruit and develop African-American talent, sharing his personal experiences within the company. Any damage to a corporate brand can be quickly translated into financial damage. When an American company has a diversity-related complaint, which then becomes publicly known, its share price tends to drop with 24 hours.²⁴

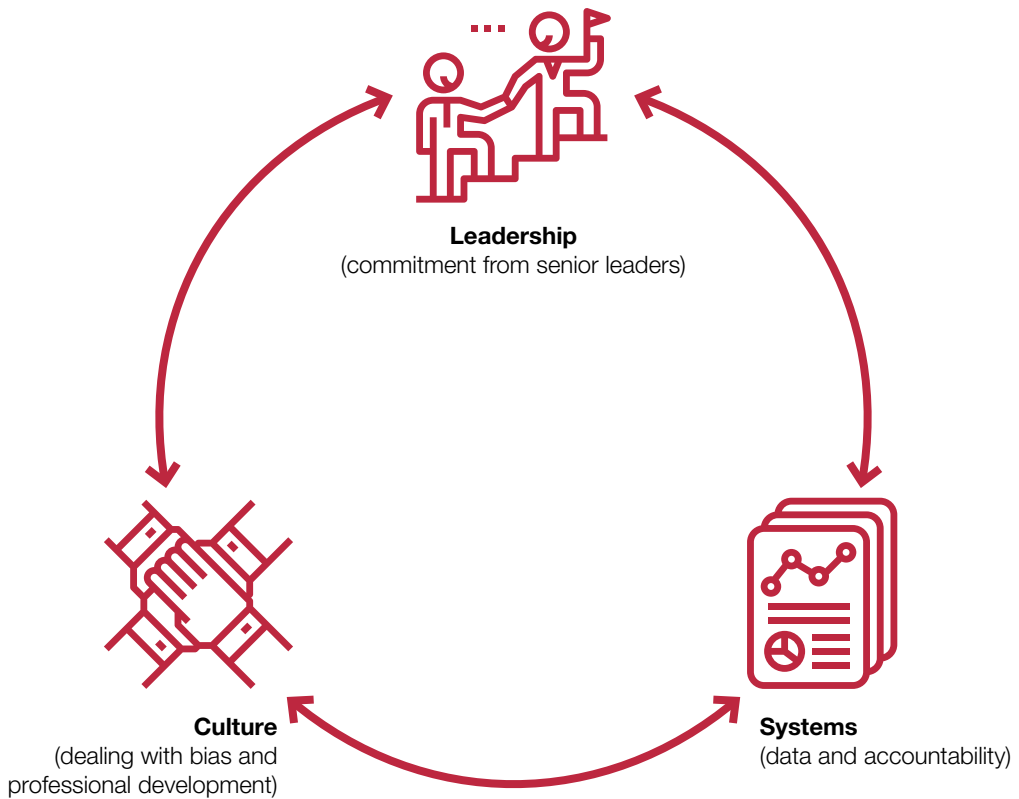
The way forward

Achieving change is never easy, but it can be done. We believe it requires action in three areas: leadership, systems and culture.

The first seems obvious: when there is a commitment from the top of the organisation, others will follow. It is not always understood, though, that leading on cultural diversity must involve 'skin in the game'. Merely 'getting' the analytical case will not be enough.

Any movement must also be sustained. This requires embedding new thinking in policies, processes or structures. It demands attention to the behaviours and attitudes of employees and management.

Figure 4. Generating change on cultural diversity



Leadership and ‘skin in the game’

Those in positions of leadership must make the change themselves and set an example for others to follow.

In the first place, leaders must communicate that cultural diversity is not a matter of second-order importance. This has been an obstacle observed by a number of this blueprint’s authors. Cultural diversity has been a poor, neglected cousin within the diversity family.

In particular, it is sometimes assumed that action on cultural diversity may need to wait until organisations complete their efforts to achieve greater gender equality. Within conversations about diversity and inclusion, some executive leaders emphasise that there may not be enough ‘bandwidth’ in an organisation to handle both gender and cultural diversity as priorities.

Progress on diversity, however, is best made when it is even – across not only gender, but also culture, disability, age and sexual orientation. To wait until gender equality is achieved within the workplace would place the issue of cultural diversity on indefinite hold. In any case, the different dimensions of diversity frequently intersect. Efforts to improve the advancement of culturally diverse talent may also contribute to improve gender representation in leadership (given that we can assume at least half of such talent will be female).

Any commitment to cultural diversity and inclusion should ideally be understood by leaders as a personal mission. Those leaders who are most successful in advancing diversity understand it both as a moral and business imperative. They do it because of their personal values and because their companies need it to be competitive.²⁵

Often, those who lead on issues of diversity do so because of their personal experience. One of the revelations of the Male Champions of Change initiative, which brings together male chief executives to advocate on gender diversity, has been that many of the program’s participants have been motivated by thinking about their daughter’s futures in the professional world.²⁶ Leaders must have ‘skin in the game’ on cultural diversity.

‘Leaders must have “skin in the game” on cultural diversity.’

For those of culturally diverse background, this may literally be their own skin. Andrea Jung, a Canadian-American of Chinese background and CEO of Grameen America (and formerly CEO of Avon Products), once described her experience: ‘I was often the only woman or Asian sitting around a table of senior executives. I experienced plenty of meetings outside my organisation with large groups of executives where people assumed that I couldn’t be the boss, even though I was.’²⁷

Short of such experience, leaders may find other ways of signalling their personal commitment. It may, for example, be born of their own contact with cultural diversity or their own challenges at some point during their career.

Either way, using opportunities to speak about cultural diversity sends a powerful signal about leaders’ commitment to it. Noteworthy within the Male Champions of Change experience was that some chief executive participants made a conscious effort to track and monitor the frequency with which they spoke about gender diversity.²⁸ Those who decide to lead on cultural diversity may well decide to do the same.

Related to this is the importance of dedicating time to improve cultural diversity and inclusive leadership. Those regarded as successful leaders on diversity and inclusion have tended not to hand off the responsibility for it to others. Whether it is employee groups or diversity councils, they get involved and get in the mix.

Case study 1

Diversity and Inclusion Councils and Boards

Senior executives in an organisation should lead the way on diversity. Many of the authors have councils or advisory boards, chaired by the chief executive, which place diversity and inclusion within the organisation's overall strategy.

Westpac

Westpac's Inclusion and Diversity Executive Council is chaired by its CEO, Brian Hartzler, and made up of members of the Executive Team. The Council meets quarterly. Its role is to ensure inclusion and diversity goals are integrated into Westpac Group's business strategy, and to keep track of how initiatives are progressing. This is supported by Inclusion and Diversity Councils across each business unit whose role is to set goals, prioritise initiatives and ensure the entire business is accountable for Inclusion and Diversity outcomes.²⁹

Telstra

Telstra's CEO Leadership Team meets as the Telstra Diversity Council to assist in guiding the company's Diversity and Inclusion strategy and to promote its Diversity and Inclusion initiatives. The Telstra Board annually establishes 'measurable objectives' for achieving Diversity and Inclusion at all levels of the company, including at board level. Telstra also has Councils on diversity and inclusion in all ten of its business units, with global coverage.³⁰

PwC

In October 2014, PwC established its Diversity and Inclusion Advisory Board, drawn from external leaders and experts on diversity, and chaired by CEO Luke Sayers. The Advisory Board is a key component of PwC's diversity and inclusion strategy, and aims to help fast-track the implementation of its strategy and goals. The external perspective of the Advisory Board members provides objective views and insights, with its members also coaching and advising senior leaders and staff.³¹

Such commitment goes a long way to countering the inevitable resistance that may arise to moves on cultural diversity. Research conducted by psychologists in the United States has indicated that the mere presence of diversity policies within a company can lead some employees – namely, 'white' employees – to believe that they are being treated unfairly.³² Where perceptions exist that improvements on cultural diversity involve a 'zero-sum' game, it becomes important that leaders clearly communicate the benefits of inclusion.

Equally, the task of leading cannot be left to only those in senior positions. Leadership at the top must be backed by leadership in the middle. In day-to-day work, middle managers must be willing to endorse cultural diversity.

This was one lesson from the experience of the British Broadcasting Commission, which embarked on a major diversity strategy, aimed at diversifying its workforce at all levels to reflect its audiences. A review of the strategy found that, while there was enthusiasm for diversity at the senior levels, there were obstacles at the level of 'upper middle management'. Some BBC staff believed that some managers preferred the comfort of the status quo to the disruption that would accompany efforts to enact the diversity strategy.³³

Such an experience serves to highlight that getting change to occur almost certainly requires a change in organisational culture. To be sure, talk alone does not always lead to action. But, in starting conversations, leaders can create momentum for this to happen.

Case study 2

MasterCard's Ajay Banga³⁴

Indian-born Ajay Banga is the global chief executive officer and president of MasterCard. He is also an adherent of the Sikh faith, something that has at times attracted attention – not all of which has been positive. In the days following the attacks of September 11, 2001, for example, Ajay was subjected to abuse and harassment by those who mistook him to be Muslim.

As President and CEO, Ajay has clearly stated his belief in having a culture of inclusion at MasterCard: 'If you don't have a diverse company, if you don't have people around you who don't think like you, don't walk like you, don't talk like you, didn't have the same experiences as you, how will you ever make sure that you are not blinded to the same mistakes that you can otherwise make because you can only see things through one prism.'

Such a stance is rooted in his own personal background and experience: 'My passion for diversity comes from the fact that I myself am diverse. There have been a hundred times when I have felt different from other people in the room or in the business. I have a turban and a full beard, and I run a global company – that's not common.'

However, such a commitment is backed by MasterCard's diversity performance. The company has very diverse senior leadership. The number of Asians in senior leadership is double the average of Diversity Inc's 'Top 50' US companies rated on diversity, and 81 per cent higher than the average of Diversity Inc's 'Top 10' companies. The combined number of blacks, Latinos and Asians in senior leadership is 25 per cent higher than Diversity Inc's 'Top 10' average, 51 per cent higher than Diversity Inc's 'Top 50' average and 77 per cent higher than the US national average.

Ajay chairs the company's Global Diversity and Inclusion Council (GDIC) and meets quarterly with its Business Resource Groups (BRGs). The council has representatives from all the company's business regions and sets policy and strategy, such as expanding traditional definitions of diversity to include diversity of thought, experience and function.

Chief Diversity Officer Donna Johnson leads the efforts, which include the eight BRGs. The groups are heavily involved in talent development, mentoring and diversity training.

Measuring cultural diversity: collect data and report progress

Making progress on cultural diversity will be slow without better data. It can be difficult to verify an under-representation of cultural diversity within organisations – for the simple reason that cultural diversity is not always measured.

Gathering and reporting data on cultural diversity must accompany any leadership commitment to the issue. Doing so gives a baseline for measuring future progress. It also helps to focus minds within organisations. Having numbers on hand can add clarity and urgency to the issue. Deferring action becomes harder if the hard data says there is a problem.

'...progress on cultural diversity will be slow without better data.'

These have been some of the lessons from progress made in gender diversity. For example, the Workplace Gender Equality Agency requires the collection and reporting of gender equality data from all companies with 100 or more staff. This includes data on the workforce and governing bodies, remuneration, family and caring responsibilities, and discrimination and harassment.³⁵ There is no question such reporting mechanisms have helped to achieve systemic change, however incomplete, on gender equality.

Such progress has not yet been made in the realm of cultural diversity. In Australia, organisations are under no equivalent obligation to report on cultural diversity.

This is in contrast to some other countries. In the United States, employers of more than 100 staff are required to file a report on racial and ethnic composition of their workforce (Employer Information Report EEO-1) with the United States Equal Employment Commission.³⁶ In the United Kingdom, anti-discrimination law imposes on public authorities a duty to advance equality of opportunity – which has seen, among other things, public authorities collecting data on racial and ethnic backgrounds.³⁷

In its current form, the federal *Racial Discrimination Act* does not impose any similar duties. However, data collection is permitted under the law and can be understood as consistent with the spirit of human rights legislation. As noted earlier, Australian federal law does prohibit racial discrimination, both in general terms and specifically in the realm of employment.

Needless to say, organisations may choose to collect such data even if they are not under a legal duty to do so. Few would dispute that what gets measured gets done.

Measuring cultural diversity is admittedly complex; certainly much more complex than measuring something like gender diversity. Any one person's sense of culture can encompass more than one feature. Someone may be an Australian citizen or consider themselves to bear an Australian identity, but this sense of identity may also be shaped by having a background that is, say, Italian or Chinese or Lebanese.

It is important to be clear about the relevant data. Measuring cultural diversity should be concerned less with capturing people's cultural *identities* and more with capturing people's cultural *backgrounds*. If we are concerned with the under-representation of cultural diversity, it seems to concern the latter.

Even then, the task requires attention to multiplicity. This is because one's cultural background is likely to involve more than one source. Particularly in a country such as Australia, with its history of immigration, few people may be able to trace their roots or ancestry to one ethnic group. Many people will have parents and grandparents from different cultural backgrounds. In as much as any individual has two parents, four grandparents, and eight great-grandparents, and so on, there will be a potential for people to have descended from a multiplicity of ethnic groups.³⁸

The complexity associated with cultural background is not a sufficient reason to avoid collecting data on cultural diversity. But it does mean that care needs to be taken.

Case study 3

Australian Bureau of Statistics' Standards on Cultural Diversity

The Australian Bureau of Statistics' *Standards for Statistics on Cultural and Language Diversity* (1999) provide a 'minimum core set' of indicators to measure cultural diversity: country of birth; main language other than English spoken at home; proficiency in spoken English; and Indigenous status.

To obtain a more inclusive measure, organisations can also collect data on the following information: self-identified ancestry or ethnic background; country of birth of father; country of birth of mother.

To avoid respondents confusing cultural background with cultural identity or political citizenship (see above), it may also be important to ensure surveys or questionnaires include context or guidance for respondents.

Any exercise in data collection and reporting should involve self-identification. In administering surveys or questionnaires, organisations should allow respondents to identify their cultural background. Questions about variables such as ancestry, ethnic origin, country of birth and languages spoken at home may also be pertinent. Such an approach would be consistent with that adopted by the Australian Bureau of Statistics in its collection of data on cultural diversity.

How data on cultural backgrounds is aggregated, and the categories used to interpret such data, is also important.

Within this blueprint's examination of cultural backgrounds in Australian leadership, there was an attempt to use a number of categories to capture cultural diversity:

- Indigenous background;
- Anglo-Celtic background;
- European background; and
- non-European background.

It is not suggested that these categories are the only ones that can be used. We use them

Case study 4

Different International Approaches in Data Collection

In the United States, the Equal Employment Commission's EEO-1 form requires employers to report the race/ethnic and gender makeup of its employees at all levels of the organisation. Where employees decline to self-identify their background, employers may use employment records or observer identification. Employees are classed under the following categories: Hispanic or Latino; White; Black or African-American; Native Hawaiian or Other Pacific Islander; Asian; American Indian or Alaska Native; Two or more races.

In the United Kingdom, public authorities have a duty to promote equality of opportunity under the Equality Act 2010. The Office of National Statistics uses the following categories in its treatment of cultural diversity: White; Mixed/Multiple Ethnic Groups; Asian/Asian British; Black/African/Caribbean/Black British; Other ethnic group.

Australia has no comparable collection of such data, mandated by a national government agency.

because they reflect, if only roughly, the cultural mix introduced to Australian society in historical terms (British colonisation, post-Second World War mass immigration from Europe, and non-European immigration following the end of the White Australia policy). But, depending on the precise make-up of an organisation or industry, there may be other categories that are more appropriate.

Case study 5

How to Collect Data on Cultural Diversity

Organisations should ideally collect data throughout the employment life cycle (i.e. survey applicants as well as those already employed).

Tell applicants and employees why you are asking them for information about their background. People may be concerned if they believe information may be used to discriminate against them, or if they have had experiences where information was used inappropriately. People should be assured, for example, that monitoring forms completed by job applicants will not be used as part of the selection process.

Make clear that disclosure is voluntary, and that you will comply with privacy laws.

Provide details on how you will gather, store and use information.

The collection of cultural data must be accompanied by a clear rationale, such as an organisation commitment to diversity and professional development. Surveys into cultural diversity work best when employees understand why data is collected, and how the data will be used and stored. Response rates may suffer if people believe that information collected could be used to discriminate against them, or if their data does not remain confidential.

Collecting data on the organisation's cultural make up should not be limited to those already employed within the organisation. It should ideally be done during the recruitment stage as well. Doing this may highlight any groups who are not applying or not getting further in the recruitment process.³⁹ Again, though, organisations must provide a clear rationale to avoid inferences of bias or discrimination from job applicants.

Accountability and targets

Gathering better data on cultural diversity is only the start. To generate lasting change, cultural diversity needs to be embedded in an organisation's goals, strategy and performance.

For an organisation to lead on diversity and inclusion, it has to put its money where its mouth is. It must not only dedicate serious resources to it, but also make it part of its managers' performance appraisals. Leaders may require their direct reports to take responsibility for promoting cultural diversity, such as through sponsoring initiatives or mentoring diverse talent. They may also benchmark cultural diversity objectives and provide incentives for meeting such goals.

Increasingly, in many companies, top managers are evaluated not only on revenue or profits, but also diversity metrics. Managers' pay is partly determined by whether they perform on diversity. At technology company Intel, for example, every employee is awarded an additional bonus (as much as 7 per cent of a person's total bonus) if the company hits two goals: hiring 40 per cent cultural minorities and women, and ensuring that the retention rate of that group is at least equal to that of white and Asian men.⁴⁰

Today, in the Australian context, diversity metrics may be confined to gender – for example, how many women one has hired in the past year. But if more wide-ranging data is collected, it should be possible to extend such an approach to include metrics on cultural diversity.

At the pointier end, a certain acceptance of cultural diversity may need to be a fundamental prerequisite for employees. The American engine manufacturer Cummins, for example, has made diversity procurement a key piece of its diversity management. When the company began its diversity push, however, it was met with some resistance. As CEO Tim Solso reflected: 'We really have challenges when the leadership group is not diverse and they don't get it. And so you have to educate them – and if they still don't get it, I let them go.'⁴¹

Leaders should also consider new mechanisms of accountability. Take the case of Princeton University, which in September 2013, conducted a comprehensive review on its treatment of cultural diversity. The review was prompted by the significant gap between Princeton's lack of diversity in its students and faculty, when compared to the demographic mix of American society.⁴²

In response, Princeton created a new university-wide policy of strategic diversity planning. This new policy would be overseen by new governance structures, including a high-level standing committee of faculty and administrators. Princeton has applied this strategic planning model to its senior administrative ranks as well as its academic departments.⁴³

Inevitably, issues of accountability lead to questions about the desirability of targets or quotas: Does serious action on cultural diversity require targets or quotas?

This is an issue much debated. Not all organisations that are committed to improving cultural diversity will choose to adopt targets or quotas.

Princeton University, for example, has studiously avoided targets and quotas, believing that, 'success should be measured by the degree and efficacy of progress and effort, rather than through the achievement of specific demographic outcomes or quotas'. In its view, tangible results will correlate with effort, but this will require time and room for risk-taking with initiatives – the suggestion being that targets or quotas may have the effect of penalising innovation.⁴⁴

There is, of course, no substitute for effort. But we should be careful not to suggest that effort is mutually exclusive from the setting of targets or quotas. Adopting the latter does not necessarily constitute an 'easy way out', or an unintended means of stifling real action.

Case study 6

Workplace Cultural Diversity Tool⁴⁵

In 2014, the Australian Human Rights Commission launched its Workplace Cultural Diversity Tool. The tool is designed to help organisations measure themselves against best practice standards in workplace cultural diversity.

Through an online diagnostic, organisations can assess themselves against 30 measures of competence across areas including leadership, strategy, identification of staff, selection of staff, retention of staff, workplace culture and monitoring of progress. The tool offers practical steps for managing a culturally diverse workforce and includes case studies highlighting good and best practice.

The tool is designed to be completed by a staff member, such as a senior manager or human resources manager, with oversight or awareness of organisational planning and policies. The assessment is done free of charge and organisations that complete it receive a confidential report. Some participating organisations have used their report to plan for future work and improvements.

A strong case exists for including targets as part of one's diversity and inclusion policies. It is important, though, to distinguish between a target and a quota. While both targets and quotas refer to the setting of specific, measurable goals to be achieved within a defined time, there is an important difference. Targets are voluntary goals adopted by an organisation at its discretion, whereas quotas refer to goals that are mandated by an external body and imposed upon an organisation.⁴⁶

‘A strong case exists for including targets as part of one’s diversity and inclusion policies.’

We favour targets over quotas: their voluntary nature means that they are more likely to be ‘owned’ by an organisation. While quotas are more coercive, targets can be understood as emerging from an organisation’s decision to embrace diversity and inclusion. As outlined in studies of targets and quotas, ‘ownership’ of organisational goals improves the likelihood of achieving them.⁴⁷

Targets are, moreover, well understood by organisations. As a generic tool, they are acknowledged as effective instruments for improving performance.⁴⁸

The experience of gender diversity also demonstrates the important role that targets can play in diversity and inclusion. For example, under the ASX Corporate Governance Council’s Diversity Recommendations, all Australian listed entities are required to report annually to the ASX about their gender diversity policy, including the establishment of an annual assessment of measurable gender diversity objectives and progress towards achieving them.⁴⁹

Elsewhere around the world, gender (and cultural) diversity targets have been commonly adopted. In some industries, this has been done because of poor diversity, as in the case of the tech industry in the US. Companies including Google, Facebook, Twitter and Pinterest have notably set targets for cultural and gender diversity.⁵⁰

Targets are essentially about sending a signal. Setting a target says that an organisation places importance and urgency on becoming more diverse and inclusive. Reflecting on her company’s experience in rolling out targets globally in 2015, Johnson & Johnson’s group world-wide chairman Sandra Peterson says, ‘until you actually put metrics on these things – the way you do everything else business leaders are measured against – you don’t get the right outcomes’. As she continues:

People say [of targets], ‘You’re discriminating.’ It’s not about that. The signal of the importance of something is whether you’re actually measuring it and you’re holding people accountable to improving those numbers.⁵¹

It is crucial, that organisations do not consider the setting of targets as a cure-all solution. Rather, targets need to be supported by other policies that encourage the development of diverse talent. Organisations should also mitigate some of the ‘stereotype risks’ that may accompany the appointment of culturally diverse talent to leadership positions. If those promoted through targets should perform poorly, the result may be to entrench unhelpful perceptions about culture and leadership.⁵²

Finally, targets must be achievable. Setting overly ambitious targets can have the effect of undermining future efforts – they can create unrealistic expectations and contribute to disillusionment if they are not met. The best targets are those that are clearly defined, supported by leadership, and linked to managerial accountability and rewards.⁵³

Case study 7

PwC's Cultural Diversity Targets

Since July 2014, PwC Australia has placed Diversity and Inclusion (D&I) at the heart of its strategy. The firm recognised that, in spite of good intentions, it had yet to make real progress in improving the diversity of its partnership. PwC's D&I survey in April 2015 revealed that, while 42 per cent of respondents identified as having a 'diverse cultural background', this was true of only 22 per cent of current partners.⁵⁴

PwC Australia's decision to introduce targets – for gender and for those who identified as having a 'diverse cultural background' – has provided the focus and accountability required to drive significant cultural change to improve the diversity of the firm, in particular the partnership.

In July 2015 PwC Australia introduced a target for 20 per cent of their 2016 partner admissions to be from a 'diverse cultural background', rising to 30 per cent by 2020. This target aims to increase the representation of 'diverse cultural background'

partners to levels that reflect the composition of their teams and that are relevant in the community. PwC Australia believes the firm has the pipeline to deliver on these targets, given that 28 per cent of those in the pool eligible for admission to the partnership in the 2017 financial year (FY17) identify as having a 'diverse cultural background'.

To support that pipeline, and deliver on targets, a number of initiatives have ensured diverse candidates were included on recruitment shortlists, talent programs and partnership admission forms. All senior leaders in the firm and those making promotion and hiring decisions have also participated in inclusive leadership training designed to address unconscious bias. In addition, each business within the firm has been looking at an appropriate sponsorship program aimed at fast tracking high potential diverse talent.

The firm's new partner admissions for FY17 were announced in July 2016.

Dealing with bias and discrimination

None of us is free from bias or prejudice. Human judgment is not formed exclusively through reason. Experience and perception also play a role. The beliefs we hold influence how we see the world around us.

Within organisations, this may sometimes lead to discrimination. Some may be treated differently because of their background – whether it is an unearned benefit or disadvantage. People’s beliefs can shape their assessment about others’ performance and potential.

This can be true even of the very idea of ‘merit’ itself. Our ideas about who is most meritorious can be determined by highly subjective criteria, often without us realising.

‘Our ideas about who is most meritorious can be determined by highly subjective criteria, often without us realising.’

Our judgements about leadership may be particularly susceptible to bias. When it concerns advancement within professional life, prejudice can trump diversity. This can be the case even when organisations have fully accepted the idea of inclusion with all the right intentions. As leadership strategist Jane Hyun explains, this is because ‘the selection criteria as you reach higher rungs on the ladder become more subjective and less firmly based on technical abilities’.⁵⁵

Certainly, the idea of leadership is bound up in elusive notions of charisma and authority, which open the way to bias. Often such biases concern physical attributes. A considerable amount of research has found, for example,

a correlation between being tall and attaining managerial positions.⁵⁶ Other research indicates that attractiveness may also be a strong predictor of decisions about who is put in a position of leadership.⁵⁷

This illustrates the clear limits to our cognitive ability. Psychologists refer to the ‘halo effect’: having positive feelings about the overall impression of a person may influence our assessment of their character or ability. Where we have a positive first impression of someone, we will tend to believe that everything else about them is positive. There can also be a ‘reverse halo effect’: a negative first impression of someone means we will tend to be negative about everything else about them.⁵⁸

The prevalence of racial bias and discrimination remains significant. About 15 per cent of Australians have experienced racial or religious discrimination during the past 12 months, according to the Scanlon Foundation’s Social Cohesion Survey of 2015.⁵⁹ Those from non-English speaking backgrounds experience higher levels of discrimination compared to those from English-speaking ones.⁶⁰

The workplace is among the top three locations where discrimination occurs.⁶¹ Such discrimination can include people experiencing disadvantage in gaining access to employment in the first place. Economists in a study in 2010 found, for instance, that having a non-Anglo name may place job seekers at a marked disadvantage.⁶²

As it concerns cultural diversity in leadership, it is bias and discrimination of another kind that is of concern. Namely, prevailing models of leadership may have built into them assumptions that privilege some and disadvantage others. The ‘image’ people have of leadership matters.

This can play out a number of ways, depending on the specific cultural backgrounds involved.

In the United States, sociologists studying the ‘power elite’ have observed that many of the African-American men and women in positions of power seemed to have ‘very light skin tone’ or were perceived as ‘non-threatening’. It was found that, ‘the less different people were from the white male norm that was dominant in the power elite, the more likely they were to be deemed acceptable’.⁶³ Similarly, the same study indicated that most of the Latino-background CEOs in the Fortune 500 companies were ‘light skinned’ and ‘Anglo-looking’.⁶⁴

For other groups, bias and discrimination may focus not so much on skin colour but on cultural traits associated with one’s ethnicity. This has been the focus of much of the commentary concerning the ‘bamboo ceiling’ – namely, the barriers that those of Asian backgrounds face in professional workplaces dominated by Anglo and Western norms.⁶⁵

To some extent, this is due to stereotypes about those from Asian backgrounds being self-effacing, quiet, even submissive. As Hyun explains, some of these stereotypes may reflect certain dispositions associated with Asian cultures. In highly individualistic societies, those who speak or shout the loudest get noticed the most or rewarded: ‘The squeaky wheel gets the grease.’ Yet, within Asian cultures, a different norm may prevail: ‘The loudest duck gets shot.’⁶⁶

This appears to be a live issue within Australian

organisations. A survey into Asian-background talent conducted by Diversity Council Australia highlighted that only 18 per cent of Asian background workers surveyed felt their workplaces were free of biases and stereotypes about culture. About 61 per cent reported feeling pressure to conform to ‘Anglo’ styles of leadership, which emphasise self-promotion and assertiveness.⁶⁷

Remedying bias and discrimination is not easy. First, it can be difficult to identify. Prejudice is often something that is not consciously practised; unconscious bias can be difficult to disentangle from the ordinary course of business. Second, those who experience bias may well be experiencing it on multiple dimensions. In the case of women of culturally diverse backgrounds, being both a woman and a cultural minority may involve a ‘double whammy’ effect.

Bringing up the topic can also be met with resistance. No one, of course, likes to believe that they engage in prejudice or discrimination. Moreover, those who pursue diversity can often find their colleagues will protest that it may end up ‘lowering the bar’.

This highlights a particular issue in dealing with bias in the form of ‘attribution error’. Where people are not accustomed to expecting leadership or positive performance from a particular group, they may attribute any success to luck or ‘affirmative action’. This, in turn, may make it harder for diverse talent to find sponsors within their organisation to help advance their progress.⁶⁸

Table 2: ‘Cultural’ behaviours of professionals⁶⁹

Behaviour	Observation (from others)	Assessment (by others)
Respect and deference to seniority	Unwilling to challenge	Lacking independence and personal strength
Possessing self-control (speaking only when spoken to)	Unable to speak out or contribute ideas	Lacking in communication
Being loath to boast	Inhibited in selling one’s achievements	Lacking in flair
Close attention to detail	Incapable of seeing the big picture	Lacking in perspective

Case study 8

Facebook⁷⁰

Few were surprised when, in 2014, a number of US tech firms published diversity data that showed an underrepresentation of diversity – especially women and African-Americans. But some are now taking action.

Perhaps most notably, Facebook introduced a course for its employees, Managing Bias. According to COO Sheryl Sandberg, ‘one of the most important things we can do to promote diversity in the workplace is to correct for the unconscious bias that all of us have.’ Recognising that ‘organisations which consider themselves highly meritocratic can actually show more bias’, Sandberg said that ‘managing bias can help us build stronger, more diverse and inclusive companies – and drive better business results’.

Facebook worked with researchers to develop Managing Bias, which it shares with the public through a dedicated website, managingbias.fb.com. The course includes case studies and workshop sessions. Using a series of videos to introduce topics to staff, the course focuses on four types of biases: Performance Bias, Performance Attribution Bias, Competence/Likeability Trade-off Bias, and Maternal Bias.

While some of the biases relate exclusively to gender, others also have relevance to race and culture.

Case study 9

University of Sydney Business School’s Bachelor of Commerce Degree and ‘Inclusive Leadership’

The University of Sydney Business School welcomes more than 1,400 students annually into its undergraduate coursework programs. Some 60 per cent of those entering the programs are Australian students and they reflect the cultural diversity of the Australian population. The remaining 40 per cent are international students, many of whom are Chinese.

The School recognises that, as an educational institution, it can help plant the seeds to leadership that is responsive to cultural diversity. After a thorough review in 2015 of the School’s undergraduate curriculum, the School committed to making ‘inclusive leadership’ a unifying theme in the core units of the Bachelor of Commerce degree. In doing so, the School offers something emblematic of the twin themes of its strategic vision: making people’s lives better and challenging the notion of ‘business as usual’.

The content of the undergraduate programs will also feature a greater emphasis on enhancing students’ appreciation of the international dimensions of business. Consultations with employer stakeholders suggested that they would like to see students with a much greater sense of business beyond Australia. The infusion of ‘Asia-relevant skills and competencies’ in all core units is critical to achieving this objective.

There is another driver of the School’s decision to make inclusive leadership a feature of the undergraduate core. It would seem that there has been a persistent failure of the two broad categories of the undergraduate student population – the domestic and international students – to build enduring relationships characterised by mutual respect and friendship.

Through inclusive leadership, students will be better placed to work together to enjoy the opportunities presented by the Asian Century.

Countering bias and discrimination requires more than just consciousness raising. Rather, any training program must also present people with strategies to eliminate bias and apply them in their daily work. In addition to taking the perspective of others, training should seek to promote contact with those who are different.

The best approach seems to be one that transforms people's experience. Research studies have indicated that unconscious racial bias was most effectively reduced where people listened to stories that involved 'high self-involvement' – for example, scenarios that prompted people to ask themselves if they would react differently to a person if they belonged to a different race. Bias can be eliminated through effort.⁷¹

Case study 10

Telstra's 'Bias Interrupted' Program

'Bias Interrupted' was designed to improve Telstra leaders' understanding of bias, and of how inclusive leadership can enable high performance and innovation. The program explores biases and how to challenge them; how to value uniqueness and foster belonging to enable inclusion and innovation; and how leaders can create safe environments so that Telstra people perform at their best.

The program also explores concepts of 'Otherness', 'Covering', Bias and Inclusive Leadership practice. Its content focuses on practices such as recruitment, flexibility, leading teams, talent identification and development, performance planning and review activities. It identifies key areas of decision-making where leaders and teams can benefit from an enhanced focus on inclusion.

'Bias Interrupted' explores these dynamics as they relate to cultural identity, disability, gender, flexibility, sexual orientation and gender identity, age, intercultural understanding/global mindset.

Professional development: cultivate diverse leaders

Change requires leadership from the top down. But it also requires attention to doing some things from the bottom up. One of these is cultivating and developing culturally diverse talent.

As highlighted in the previous section, this requires tackling bias and discrimination. Organisations may need to redefine their assumptions about leadership. Promoting inclusive leadership means that people do not privilege certain cultural groups over others because of assumptions about what leadership must look or sound like.

‘Promoting inclusive leadership means that people do not privilege certain cultural groups over others because of assumptions about what leadership must look or sound like.’

Action is also required to ensure that those of culturally diverse backgrounds can step up to leadership positions. This means equipping talent with the right set of ‘soft skills’.

Greater cultural self-understanding is a prerequisite for this. People need to understand how culture can shape behaviours and perceptions. Just as some may need to be made aware of their own biases, so it is that some may need to understand their own culturally influenced attitudes or approaches.

Consider some of the behaviours that have been identified in discussions about a ‘bamboo ceiling’. Against a background of possible bias or stereotyping, it makes sense for those of Asian backgrounds to be mindful of how their behaviour in the workplace may be perceived or interpreted.

Such recognition does not exonerate bias. We are not suggesting that culturally diverse talent must fix themselves, without there also being some effort to fix stereotypes. But it seems to make sense for people to consider how deference to seniority or self-effacement could be regarded by others as part of a more general cultural pattern of behaviour. Being mindful of such factors may help some professionals to be more assertive and to claim the credit they deserve in the workplace – things which may add up to being regarded as having a good fit for leadership.

The issue is by no means confined just to one particular cultural group. Within the American professional setting, for example, many African-American men have spoken of having to calibrate their demeanour in their offices. As described in one study, this may involve ‘striving to appear focused at the office but not too aggressive; hungry but not threatening; well-dressed but not showy; talented but not too damn talented’.⁷²

Professional development builds on such self-understanding. There are four ways organisations can focus their effort on professional development for cultural diversity and inclusive leadership.

First, organisations can actively identify staff from culturally diverse backgrounds who display leadership potential. Recognising emergent leadership can become something of a self-fulfilling prophecy. Those picked out as leaders will more consciously consider seeking out leadership opportunities. Among the authors of this blueprint, it has been our experience that not everyone may enjoy the same access to such paths. Often this is because existing leaders unconsciously seek to reproduce the same style of leadership with people from the same socio-economic or cultural background.

Second, there is mentorship and sponsorship. Technical skill and mastery can only take someone so far; one must also know some of the unwritten rules within an organisation or industry. Those who seek career advancement require mentors and sponsors – trusted advisors who can give assistance, make introductions to contacts, and act as one's advocates. For many from culturally diverse backgrounds, realising this reality sadly comes too late. This may be especially the case where people have cultural settings where asking for assistance is regarded as a sign of weakness.

Mentoring does require structure, however. It works best when the mentor and protégé have some guidance on what the relationship involves. Without this, a protégé may fear being too demanding or intrusive of a mentor; a mentor may not devote sufficient time to their protégé.

Third, organisations can empower their culturally diverse talent to speak up and stand out. Speaking up does not come naturally to all; it comes much harder to some people from certain backgrounds. It is not uncommon for those of culturally diverse backgrounds to be relatively anonymous within an organisation. Having a high profile may seem to be the exception, even among culturally diverse employees who are high-performing.

Often, however, visibility is a prerequisite of advancement. Those who want to be considered for leadership roles may need to consider being recognised within their organisation: it is not enough to do a job well, but one must also be *seen* to be doing a job well.

Case study 11

Scholarships for Cultural Diversity

In 2015, the Australian Institute of Company Directors (AICD) and the Minister assisting the Prime Minister for Women, Senator the Hon Michaelia Cash, launched a new *Cultural Diversity Scholarship Program* for talented women who identify as Aboriginal or Torres Strait Islander or who come from a culturally and linguistically diverse background. Fifty-five scholarships were offered and jointly funded by the Federal Government and the AICD and were available to senior executives and existing female directors.

Such things can be taught or coached. But they may come easier when there is also a culture of professional development.

One way of promoting this is through the use of networks – the fourth aspect of professional development. While many Australian organisations have existing staff networks, there remains considerable potential for growing their value. Too often, the activity of such networks for cultural diversity is confined to celebrating diversity; they are too often about festivities rather than about professional development.

Whether they are affinity groups, or advocacy groups, networks can provide an important forum for culturally diverse talent. They 'can be a critical tool for breaking down stereotypes at your company and for unified communications with the CEO and members of the senior management team'.⁷³ More than this, they help to expand employees' contacts or provide people with support. It can be valuable for someone to find others who have shared experiences – something that can assist in giving people a greater sense of self-confidence.

Case study 12

Bernard Tyson⁷⁴

For an African-American man, it takes courage to stand up to your boss when it comes to issues of race. Some years ago, as an up-and-coming leader at health care provider Kaiser Permanente, Tyson had an awkward conversation with a high-ranking, white senior executive. The executive told Tyson, 'I don't see you as a black man. I see you as a *smart* individual.'

While Tyson was pleased this Kaiser heavyweight acknowledged his intelligence, he was disappointed the senior leader dismissed an essential part of who Tyson is: a black, African-American man. 'I was insulted,' Tyson recalls. 'He insulted my heritage.'

'Wait,' Tyson said. 'I *am* a black man!' He paused and explained to this high-ranking executive that it was important to see the value Tyson's race and heritage bring to the workplace – the value all black employees bring, precisely because the lens of race gives them a different perspective.

Tyson's bold stand paid off. The conversation led to an all-day retreat with a diversity facilitator, who helped Kaiser managers learn to leverage the totality of people on their teams.

Today, Tyson has risen to Chairman and CEO of Kaiser Permanente. The US\$56 billion health care provider employs a diverse workforce of 175,000, nearly 60 per cent of which are ethnic minorities and 13 per cent are African-American. About 42 per cent of the members of the leadership team are non-white and 25 per cent are African-American; 17 per cent of the leadership team is female.

Case study 13

Westpac's Employee Action Groups

It has been critically important for Westpac to create an inclusive culture, where innovation and bright ideas can flourish. Westpac not only wants to attract and retain the very best talent, but also to harness the full potential of each and every individual.

One important part of shaping this culture has been an Inclusive Leadership program for the organisation's leaders. The program, developed in-house in consultation with industry experts, has already been rolled out to Westpac's top 400 leaders. The program develops leaders' skills in leading teams and businesses inclusively: hiring and promoting people who are different, being flexible in thinking and work style, and involving the customer in planning and decision-making.

Westpac's Employee Action Groups (EAGs) are a great way for passionate individuals throughout the organisation to get involved in Inclusion and Diversity. Westpac has two EAGs that focus on cultural diversity initiatives – Brothers & Sisters (Indigenous Australians) and Asian Leadership. Each EAG is governed by a committee and has an opt-in membership base of employees. These EAGs promote and celebrate culture, create development opportunities for their members, and support the business in working with culturally diverse communities.

The Asian Leadership EAG have launched a number of initiatives since their inception in 2015, including a mentoring program for upcoming Asian leaders, a partnership with the University of Sydney to mentor international Masters degree students, and a highly successful series of internal Thought Leadership events with guest speakers. In just over a year the EAG has grown significantly, and now boasts a membership of 1100 employee members.

Appendix

Methodology: classifying Australian leaders' cultural backgrounds

Our study examined the cultural backgrounds of chief executive officers of ASX 200 companies, federal parliamentarians, heads of federal and state government departments, and vice-chancellors of universities. These cohorts were chosen to illustrate the cultural representativeness of leaders in business, politics and government, and civil society.

Classifications

Our study uses four broad classifications with respect to cultural backgrounds:

1. Indigenous background;
2. Anglo-Celtic background;
3. European background; and
4. non-European background.

These classifications can be understood in the following way.

'Indigenous' designates those who have an Aboriginal or Torres Strait Islander background.

'Anglo-Celtic' describes those cultural backgrounds that are English, Scottish, Welsh and Irish.⁷⁵ 'European' includes all European backgrounds other than Anglo-Celtic – including North-West European (e.g. German, French, Dutch) and Southern and Eastern European (e.g. Italian, Greek, Polish).

'Non-European' encompasses all other cultural backgrounds, including South-East Asian (e.g. Vietnamese, Malaysian), North-East Asian (e.g. Chinese, Japanese, Korean), Southern and Central Asian (e.g. Indian, Sri-Lankan, Afghani), Latin American (e.g. Mexican, Colombian), Middle Eastern and North African (e.g. Turkish, Egyptian), Sub-Saharan African (e.g. Nigerian, South African) and Oceanic and Pacific Islander (e.g. Maori, Tongan).⁷⁶

In general terms, the use of any such categories will necessarily reflect the history of a particular society and the preponderance of groups within it. In the United States, for example, where cultural diversity is viewed predominantly through a racial lens, data is classified using terminology that includes 'white', 'hispanic/Latino', 'black/African-American' and 'Asian'. Similarly, in the United Kingdom, cultural diversity is discussed in terms of 'white British', 'black and minority ethnic' and 'Asian'.

We believe the above four categories – Indigenous, Anglo-Celtic, European, non-European – are appropriate in light of Australia's demographic history. In particular, they reflect the main waves of immigration that have primarily shaped the composition of Australian society today.

For over 40 000 years Australia was, of course, solely occupied by Aboriginal and Torres Strait Islander peoples, until the arrival of the First Fleet in 1788. With the colonisation of Australia, the population would become predominantly British (English, Scottish, Welsh) and Irish in background – scholars refer to Australian national identity being shaped during its colonial era by an 'Anglo-Celtic' hybrid culture.⁷⁷

Such composition in the Australian colonial population was reinforced by cumulative immigration from the British Isles. Significant numbers of Chinese and other immigrants arrived during the gold rushes in the second half of the 19th century; there would also be many thousands of Pacific Islander workers who came to Australia as indentured labourers in the 19th century, largely in Queensland. But immigration restrictions imposed by colonial and later the Commonwealth governments meant the cultural impact of such immigration – namely, of non-Anglo-Celtic origin – was limited.

The maintenance of the White Australia policy for most of the 20th century meant that immigration was mainly from the British Isles – that is, until the post-Second World War period. The 1950s and 60s were years when significant numbers of immigrants from Europe settled in Australia. This would inject a new non-Anglo-Celtic European cultural component to the Australian population.

The next waves of immigration have been of a non-European origin, with the formal dismantling of the White Australia policy in 1973, and the arrival of refugees following the conclusion of the Vietnam War and related strife in Cambodia and Laos. The late 1970s and early 1980s saw some 70 000 Indochinese refugees resettled in Australia, with many more thousands of these refugees' relatives arriving in later years through family reunion programs. This has also been accompanied by the arrival of immigrants from other countries in Asia, as well as the Middle East, South America and Africa.⁷⁸

Our process of classification

In determining the cultural background of Australian leaders in business, politics and government, and civil society, we examined the following:

- a. publicly available biographical information about the individual (e.g. organisation website and *Who's Who* entry);
- b. other relevant public statements that may include information about the individual's cultural background (e.g. speeches and media reports);
- c. an individual's full name and its origins;
- d. an individual's place of birth; and
- e. photographs of the individual.

After determining the specific cultural background of a leader (e.g. 'English', 'French', 'Italian', 'Chinese'), we then categorised them according to one of the four classifications: Indigenous, Anglo-Celtic, European, non-European.

Such a methodology is consistent with academic and industry studies of cultural background, as well as some international monitoring practices.

For example, in its *Capitalising on Culture* study of corporate Australia, Diversity Council Australia measured cultural diversity based on the surnames of board and senior executive managers in ASX 200 companies. Using software developed by OriginsInfo, a market segmentation consultancy, DCA's research suggests that name analysis has an accuracy rate of higher than 90 per cent.⁷⁹

Academic research in the United States by sociologists investigating the cultural backgrounds of CEOs in *Fortune 500* companies has also resorted to using biographical information about race and ethnicity, as well as photographs. Based on such information, Richard Zweigenhaft and William Domhoff classified individuals as 'white', 'African-American', 'Latino', or 'Asian American'.⁸⁰

Similarly, management researchers from Ryerson University, in their annual studies measuring diversity among leaders in Canada, have relied upon public information such as captioned photos and biographies to identify leaders and their demographic profiles.⁸¹

It is also worth noting that the United States Equal Employment Opportunity Commission, in its instructions for its EEO-1 survey form (which all companies employing more than 100 people are required to submit), indicates that where 'employee declines to self-identity, employment records or observer identification may be used'.⁸²

Peer review

After an initial review and identification of an individual's cultural background, members of the working group that authored this blueprint reviewed the assessments made.

We have erred on counting more cultural diversity than less within leadership cohorts. Where, that is, we have been unsure of how to classify someone's cultural background for the purpose of this study, we have favoured counting someone as European rather than Anglo-Celtic, and as non-European rather than European.

For example, in classifying an individual who has a father of Chinese background but a

mother of German background, we would count that individual as having a non-European background rather than European. Within this exercise, an individual who has a father of English background but a mother of Indian background would also have been counted as having a non-European background rather than Anglo-Celtic.

Similarly, in the case of an individual who has a father of Scottish background but a mother of Italian background, we would count that individual as having a European background rather than Anglo-Celtic.

Limitations

Information concerning cultural diversity and leadership in Australia remains an emergent field. There are few academic, peer-reviewed studies that deal with the topic. Scope exists for improving the quality of the body of evidence.

We would suggest that future work in establishing the cultural composition of leaders could involve administering a survey. Though there is no guarantee that the response rate would be 100 per cent, any information so gathered could be used – at the very least – to supplement information arrived at through methods such as the one used here.

Having such information would be useful in those circumstances where a person has multiple ethnic and cultural origins, which may not necessarily be apparent from either their name or appearance.

Cultural background v cultural identity

The distinction between a person's cultural background as opposed to their cultural identity was briefly discussed in the section 'Measuring cultural diversity'. As noted, the task of measuring cultural diversity is complex and surveys often focus on collecting data about how people report their cultural identity rather than cultural background. While this distinction may be considered to be a minor one, it can result in a difference in the data collected.

The purpose of this work is to encourage organisations to consider and work towards increasing the cultural representation in its leadership ranks. A person's cultural identity, however, may not necessarily correlate with how others may perceive or understand their identity to be. For example, someone may be an Australian citizen or consider themselves to bear an Australian identity, but may be perceived by others as having an Italian, Chinese or Lebanese identity by virtue of their cultural background.

We consider a person's cultural background provides a more accurate indicator of culturally diverse representation in leadership.

Focusing on cultural background, as opposed to cultural identity, may also be a better way of dealing with the multiplicity that is often present in a person's ancestry or origin. For this reason, this blueprint does not refer to people being *of* a given cultural background, but rather to people *having* a given cultural background.

To say, for example, that an individual has a non-European background does not preclude them from also having a European background or an Anglo-Celtic background (as would be the case, respectively, with an individual who has a Japanese father and an Italian mother or an individual who has a Chinese father and a Scottish mother). The methodology adopted here simply means that, for the purposes of classification, they may be described as having a non-European background.

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