



Cultural Diversity: the benefits for business

Cultural Diversity provides access to new domestic and international markets. It:

- Enables businesses to better understand and service an increasingly diverse client base
- Opens up business networks and assists in identifying and entering new local, regional and international markets and
- Assists in developing domestic niche marketing - 9.9 million Australian consumers are either born overseas or have at least one parent born overseas - businesses that want to reach their 'whole' market cannot afford to ignore this critical mass of consumers.

We come from more than 300 ancestries and speak more than 400 languages. This cultural diversity represents enormous untapped potential. A diverse workforce can provide business with vital:

- Language skills
- Cultural knowledge and understanding
- Business networks and knowledge of business practices and protocols in overseas markets,
- Low cost intelligence about overseas markets, including intimate knowledge of consumer tastes and preferences.

Cultural diversity delivers productivity and innovation

Businesses can maximise the productivity and efficiency of their diverse workforce through:

- Recognising the full range of skills and talents of employees, including language and cultural skills, removing impediments to their effective participation and capitalising on these skills to reach and provide improved quality service to diverse consumers.
- Building cohesive teams, by improving cross-cultural communication and understanding;
- Providing opportunities and encouraging participation in training.

The benefits of diverse teams and multi cultural identities have been measured in a number of international studies which have found that diverse teams are better able to solve complex problems, exhibit a higher level of creativity and a broader thought process. These benefits are measurable- research has found diverse work teams, properly managed and trained, produce results six times higher than homogenous teams.

Research also shows that companies that drive innovation by leveraging the ideas and knowledge of their diverse employees meet product revenue targets 46% more often and product launch dates 47% more often than industry peers.

'Nurturing the cultural diversity of employees is very important for an organisation's business and reputation. Not only does it deliver improved productivity and innovation, it enables you to capture the best talent, wherever it is. It also helps reduce unwanted turnover costs from race-based discrimination.'

Nareen Young
CEO, Diversity Council
Australia

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Valuing cultural diversity allows you to capture the best talent

Harnessing cultural diversity from Australia and abroad is essential to meeting the challenges of skill shortages, global labour market competition and an ageing population.

A recent Deloitte and Forbes Insight Survey has identified that global business executives view the competition for talent occurring globally and in emerging markets as the most pressing talent concern today. More than 65% of respondents in a subsequent Forbes survey of international executives had developed programs specifically to recruit diverse employees, 53% followed up with diversity-focused development programs and 44% had specific diversity retention programs.

A workplace in which cultural diversity is valued also gains the productivity benefits of retaining valuable staff and maintaining high staff morale.

Cultural diversity improves your bottom line

International research shows clear economic benefits for cultural diversity. Companies with high executive and board diversity had ROEs an average of 53% higher than those with low levels and EBIT margins 14% higher.

In the US, over a ten year period, the top 50 companies for diversity outperformed the S&P 500 by 24.8% and the NASDAQ by 28.2%.

A recent study of diversity in Fortune 1000 firms, found racial diversity amongst corporate leaders to be “significantly related to revenues, net income, and book-to-market equity.”

Supporting cultural diversity can also deliver considerable cost savings to employers through:

- Positioning organisations to receive positive publicity – US research shows that when a company has a diversity complaint which goes public, their share price will drop within 24 hours. Conversely, when employers win a diversity award their share price will increase within 10 days.
- Minimising the costs associated with unnecessary staff absenteeism – 70% of employees exposed to racial discrimination, violence or harassment take time off work
- Reducing avoidable costs associated with turnover, recruitment and re-training

Cultural diversity is about the hard facts. Deloitte is changing. The market is changing. We have to understand these changes, and put strategies in place, to guide perceptions and behaviours within the firm, in order to have a strong organisation that understands and nurtures all of its talented people.

Giam Swiegers - CEO, Deloitte

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- Minimising legal exposure and risk – responding to formal complaints through internal mechanisms is estimated at an average of \$55,000 per case, with legal fees in external complaints cases regularly exceeding \$100,000 and damages payments potentially reaching hundreds of thousands of dollars.

Full references to all reports and other materials cited can be found on www.tasteofharmony.org.au and www.dca.org.au