

The Diversity Advantage

Speech delivered by Gabriel Makhlouf,
Secretary to the Treasury

Trans-Tasman Business Circle

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Thank you very much for inviting me to come and speak to you today. I'm going to focus on an important issue for New Zealand, for the public and private sectors and for the Treasury itself: our diversity advantage.

When we first started talking about diversity at the Treasury, someone suggested that deliberately starting to look for, and employing, different types of people was like asking the All Blacks to select a couple of badminton players. That's absurd of course, but it highlights a silent misgiving many people have when the subject of diversity is raised. In a survey by business magazine *Forbes*, 41% of executives identified the 'failure to perceive the connection between diversity and business drivers' as a barrier to developing and implementing a diversity strategy. In the absence of a business case, people don't see the point. Or worse, they see diversity as compromising performance.

The reality is quite the opposite. Diversity doesn't compromise performance. It's a performance *advantage*. In particular, it's the key to a strong *team*, and this is the idea at the heart of what I want to talk about today. Diversity – especially diversity of thinking – is essential to a world-beating team, and a world-class public service.

Where the goal of a rugby team is to manufacture tries to win a game, the Treasury, and the wider state sector, is like a team that manufactures ideas to solve policy problems. Like a good sports team needs diverse skills, we need diverse perspectives to produce the best ideas we can. We also need diversity of experience to make sure the ideas we come up with are practical, and so we can see them through from conception to implementation.

Today I want to talk about why diversity of thinking matters more than ever for New Zealand, why unconscious bias can get in the way, and what we're doing at the Treasury to challenge our thinking in new ways.

Why diversity of thinking matters more than ever for New Zealand

So why does diversity matter more than ever for New Zealand right *now*?

New Zealand society looks very different to the way it did a generation ago.

We're more diverse, more urbanised, more tech savvy, more democratic, more diffuse and more connected. In 2012 65% of New Zealanders aged over 15 accessed a social media network¹. Eighty-seven percent of us now live in cities and towns². More of us live alone. One-person households are projected to be the fastest-growing type of household in New Zealand, and are expected to account for 29 percent of all households in 2031³.

We have different kinds of families, different aspirations, and different expectations of government and public services. Couples without children are almost as common as couples with children⁴.

Our employment comes from different businesses, our products go to different markets, our entrepreneurs are starting different companies, and our young people dream different dreams about what it means to succeed in life. In the last year we've unleashed on the world a global chart-topper, a Man-Booker Prize winner, and the hottest young talent in golf right now.

Lorde, Catton and Ko are in diverse company. Over two hundred ethnic groups now live in New Zealand⁵. One in seven New Zealanders is Māori. One in eight is Asian⁶. By global standards, Auckland is now 'super diverse'. Over 40 percent of people living in Auckland were born in another country⁷.

¹ *Household Use of Information & Communication Technology, Statistics New Zealand, April 2013.*

² *Population Estimates at 30 June 2001-13, Statistics New Zealand.*

³ *National Family and Household Projections: 2006–2031 update, Statistics New Zealand, July 2010.*

⁴ *2013 Census – QuickStats About National Highlights: Families & Households, Statistics New Zealand.*

⁵ *2013 Census – Major ethnic groups in New Zealand, Statistics New Zealand.*

⁶ *2013 Census – ethnicity classification, Statistics New Zealand.*

⁷ *2013 Census – Birthplace of people in Auckland Region and New Zealand, Statistics New Zealand.*

These are big shifts.

But this isn't just a story about challenge. It's also about opportunity. New Zealand is currently the Western world's envy economically and financially. As the world's economic centre of gravity moves east, as our economy grows, and with the Crown's finances in better shape, we have an opportunity to invest for stronger economic growth over the long-term, tackling longstanding issues like productivity and international connectedness.

For policy-makers, New Zealand's challenges and opportunities are compounded by the pace of change. We used to be able to take time to look at an issue, formulate a solution, roll it out and evaluate it over years. The world we live in now needs ideas and results in real-time, and the policy process needs to be reinvented to deliver.

The public service needs fresh answers to both new and old problems, and it needs to find them fast. It's intuitive that diversity of thinking is the key to finding new solutions, and the data backs this up.

International studies⁸ have found that companies with a higher representation of women on their boards perform better than their counterparts in areas like return on sales and return on equity.

Digging deeper, research from Princeton has identified that teams of diverse thinkers have a greater problem-solving capacity than teams selected just for intellectual ability.

Closer to home, there aren't many Māori working at the Treasury. So one of the questions we're asking is what kind of impact could more Māori analysts have in our organisation, not just on policy focused on Māori outcomes, but on all policy? Where are we missing the advantage of that perspective?

The business case for diversity is clear. A lot of us adopted it as a strategy to raise performance some time ago, and yet research indicates that across the board, progress has been slow.

So why aren't organisations becoming more diverse? What's happening?

⁸ *Studies referenced here are quoted in Only skin deep? Re-examining the business case for diversity, Deloitte Human Capital Australia, September 2011.*

Unconscious bias

Over the last two years I've been to most of New Zealand's main urban and rural centres to get a sense of how people see things 'on the ground', what the challenges and solutions are for New Zealand. I think New Zealanders are very open to doing things differently. They are open to new ideas, good ideas, wherever they come from. It's not about ideology but about what works.

Studies also suggest we're increasingly open to greater ethnic and cultural diversity. The barrier isn't our willingness to embrace new thinking or people who are different. It's something that, by definition, we don't even know is there. Psychologists call it 'unconscious bias'.

Unconscious bias is our tendency to gravitate towards people who are like us. From whom we're inclined to sit next to on the bus⁹ through to whose opinion we're most inclined to listen to. We're all aware of the phenomenon groupthink, the tendency for a group of people to become less diverse in their thinking over time. Before groupthink comes groupsynch – a deep commitment to unspoken social norms.

A key reason some organisations don't become more diverse is because without knowing it, we're looking for other people like us. We aren't *consciously* excluding ideas. We are *unconsciously* excluding them.

Unconscious bias is a glass wall. It can stop an organisation from becoming more diverse by excluding outsiders who don't fit the mould. Critically, it can also mean organisations don't get the best from the diversity that they do have, because people suppress differences in order to fit in and succeed.

It's a global blind spot. Focusing on the gender dimension of diversity for a moment, unconscious bias is a key reason why in spite of many public commitments by organisations to increase the number of women on boards, the results are disappointing. In practice, research indicates that unconscious bias means that relative to men, women who aspire to leadership roles are rated down irrespective of whether they behave in a stereotypically masculine or stereotypically feminine way.

Perhaps inevitably, these negative evaluations of women relative to men are more pronounced in male dominated occupations¹⁰.

⁹ *Birds of a Feather Sit Together: Physical Similarity Predicts Seating Choice, Journal of Personality and Social Psychology, April 2011.*

¹⁰ *Gender Equality Project, Evaluation Bias and Backlash: Dimensions, Predictors and Implications for Organisations, Melbourne Business School, November 2012.*

What we're doing at the Treasury to challenge our thinking in new ways

How is the Treasury challenging its own thinking, and how are we trying to overcome the hurdle of unconscious bias? We're doing three main things.

1. *Actively seeking out wider perspectives*

The first is actively seeking out wider perspectives. We've always sought outside views, but we're now looking at how we can really make this business-as-usual, and go further beyond the beltway.

Formal structures have a part to play. For example, I chair the Treasury Board which is comprised primarily of non-executives and enables me to bring-in outside perspectives.

I will also shortly be announcing a number of appointments to an Advisory Board which will provide an external perspective on how we're overseeing commercial entities either wholly or partially owned by the Crown. This will include advising on the diversity of the boards of those entities.

Outside of this kind of formal structure, we're talking to a broader range of people in the course of our work, including from the business community, the teaching profession and social service providers. And we're talking to them across New Zealand, from Whangarei to Hokitika. Insights from these meetings are being used in our policy advice, helping to make sure it's relevant, realistic and reflect our Living Standards Framework.

And to be clear, we're talking to people primarily because we want to listen: we're interested in ideas, information and insights.

2. *Employing people from a more diverse range of backgrounds*

The second thing we're doing to challenge our thinking is to continue to employ people with a diverse range of backgrounds.

While it's diversity of thinking we're interested in, the simple reality is that people from different backgrounds are more likely to bring fresh perspectives and new experiences. And although it will always be necessary to bring outside perspectives in from time to time, there's no substitute for having greater diversity within the organisation when it comes to really understanding the public you serve. The Treasury can learn *about* Asian and Pasifika and Māori perspectives. We have to for our advice to be relevant. But knowing *about* a different perspective is very different to thinking *from* that perspective.

Ethnicity is only one dimension of this. We also need people with a broad range of skills and life experiences, including, for example, experience in our international markets, experience working with different community groups, experience in programme management and commercial experience. Having these different

perspectives deeply embedded in our organisation will help to create the kind of positive friction necessary for new, practical, ideas to surface.

Does this mean we throw out our traditional focus on critical thinking and analysis? Or that we're no longer employing people on merit? Not at all. Again, it's about building the strongest possible team.

We can't rely on only recruiting people like Jack Brabham – people who can build their own cars and win world championships. Brabham was an exceptional, once-in-a-lifetime kind of phenomenon. We also need to be thinking about who's going to be best for a team.

At a practical level, this is another area where we are taking steps to counter unconscious bias. We're looking at our recruitment process, and whether it inherently puts off people from different backgrounds. We're also bringing together different types of people already within the Treasury, to see what new insights a team with more diverse perspectives might generate. The Treasury spans a wide range of policy areas and disciplines, and we're interested in how different combinations can fire up fresh thinking and new ideas and encourage a culture where diversity of thinking thrives.

3. Developing a more inclusive culture

Which brings me to my final point about how we're challenging our thinking in a new way, which is by developing a more inclusive culture.

If diversity is about putting some different players on your rugby team, inclusiveness is about passing them the ball. Or if you prefer, it's playing a style of game that leverages everyone's strengths.

Constantly adapting to a work culture – because that's the only way you can get things done or get ahead – takes energy. For employers, it means we're paying a full salary, but not getting the full person.

We need people to feel like they can be themselves at work. This is something we're looking at carefully. We're asking the question: can everyone be themselves in our culture, or do you have to leave yourself at the door when you come to work?

Leadership has a critical role to play here. The job of leaders is to create a work environment where different perspectives are encouraged and can actually be heard.

Research has shown that many scientific breakthroughs didn't come from moments of independent genius but at weekly lab meetings when scientists shared data, findings, errors, and conflicting results. Science author Steven Johnson suggests that great ideas come from places where diverse minds mix and different perspectives flow; what he calls "liquid networks".

All leaders – whether in the Treasury, the wider public sector or beyond – should be creating space for different perspectives to flourish. Good questions to ask include: How do I respond when I hear something radically contrary to the norm? Do I listen?

Do I ask for more? More importantly, do I seek out this kind of difference? Do I encourage it?

The goal should be to create a culture where diversity of thought continues to be encouraged. Where people can be themselves, where they have an opportunity to be heard, where their perspectives can be listened to and where ideas and advice represent something that's greater than the sum of the parts.

Conclusion

I started with the suggestion that employing different types of people was a bit like asking the All Blacks to pick badminton players. And perhaps rugby doesn't have a lot to learn from badminton. But many great teams deliberately look to outsiders as a break-away strategy, a way of differentiating themselves from the homogenous mass of the competition.

Last week the Treasury's health team visited Dr. Lance O'Sullivan in Muriwhenua, the Far North. Dr. O'Sullivan is breaking new ground in health care. He also runs a school-based health service that reaches 2,000 kids around Kaitaia. One of the keys to the success of the programme is that instead of using health professionals, Dr. O'Sullivan is providing high quality training to lay people who have strong relationships with the community and the families they serve. These aren't the people who would normally provide this kind of service. But their knowledge of the community they are serving is having a real impact in an area where access to healthcare has historically been a big problem.

Dr. O'Sullivan understands the power of fresh thinking, and a strong team. When accepting the New Zealander of the Year award last year, he said "Ehara taku toa i te toa takitaki, he toa takitini", which means "Success is not the work of one, but the work of many."

At the Treasury we have a great team of people from a diverse range of disciplines, from economics to anthropology, to quantum mechanics and even more.

This intellectual horsepower has served us well. We want to retain and strengthen it. Like every organisation adapting to the emerging world, we need to make sure we are making the most of the talent we have and that we harness and accelerate the power of diversity to deliver new solutions.

Our past shapes our capacity to imagine. It determines the perspectives we bring to our analysis. Any organisation that is in the business we are in strengthens itself by bringing different perspectives to its work. Because as the world changes, it is the new and not the old that matters. We need to look to the future rather than reflect on the past. We want to learn from history, not be trapped by it.

Diversity is the key to bolder, more innovative thinking. If we can deepen diversity, if we can leverage difference and harness it effectively, it will generate a real advantage, in the form of fresh ideas that work in the new New Zealand.