When "Diversity" isn't enough: Corporate governance and cultural change strategies

Introduction

Canada's strength lies in its diversity but too many organizations fail to adapt their organizational culture to accommodate a diverse workforce in a way that fully realizes the benefits. Most organizations treat diversity as a goal and not a cultural process. Research tells us that in inclusive and respectful contexts, the heterogeneity of a population is positively correlated with advances in innovation and economic spheres. While the benefits of diversity are understood, many organizations rely on static measures, such as sex or race composition data. This provides more easily measurable outcomes, but these definitions relegate diversity to a 'tick box' status, and fail to embrace a more nuanced understanding. Innovation is not created by the *presence* of diverse populations; it requires a cultural environment that values, nurtures, and encourages new ideas and critical thinking. Efforts should focus on embedding values of equity, inclusion, and respect within the organizational culture to encourage a range of diverse knowledge, approaches, and skill sets. In comparison to a traditional 'add-diversity-and-stir' approach, cultural change strategies require strong leadership to create innovation from aspiration, and to harness the potential that enhanced diversity in organizations offers.

Research Context

Increased diversity in organizations can result in enhanced critical thinking and problem-solving capacity, and increased financial performance, but it is the cultural characteristics of an organization that provide the necessary grounds for those benefits to be realized. Over the past 20 years, firms in the once homogenous finance sector have increasingly recognized the competitive advantage that diversity offers and have implemented strategies to recruit talent from a variety of backgrounds; however evidence suggests many finance firms still have cultures that recognize, value, and reward conventional behaviours and problem-solving strategies. In 2016, I interviewed over 50 finance professionals, performed an in-depth organizational ethnography, and worked with two finance professional associations. My initial findings show that although diversity policy is largely an industry-wide norm, finance firms still have cultures that value and reward traditional ways of thinking and behaving. I also found individuals from less represented groups try to "fit in" rather than innovate for fear of discrimination. What (if any) strategies are in place to encourage the cultural change necessary to realize the opportunities for innovation that diversity offers in finance firms?

Methodology

In September 2018, I will begin a research fellowship at Yale University[1] where I will carry out in-depth cultural evaluations of two of the largest finance firms with a strong Canadian and American presence. I will interview 50 more professionals who occupy senior leadership positions in these firms to understand how diversity is defined and measured, and what (if any) measurables are used to assess the cultural success of diversity initiatives. Any disconnects between corporate governance strategies for diversity and the practices and culture of diversity carried out within the firms will be identified, and I will then develop empirically informed cultural change strategies and recommendations.

[1] This fellowship is a joint research partnership between the University of British Columbia (UBC) and Yale University. I will remain a registered student at UBC during this time.

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