DRIVEN BY DIFFERENCE

How Great Companies Fuel Innovation Through Diversity

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For Grace, Emily, and Linda . . . Discovering the world
together has been among my greatest gifts in life.

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Diversity has become a reality in the 21st century workplace. It offers incredible potential for developing innovative solutions, but it's not automatic. Groundbreaking research reveals that when cultural intelligence levels are low, diverse teams are unlikely to innovate as effectively as homogenous teams. But when cultural intelligence levels are high, diverse teams far outperform homogenous teams in coming up with innovative solutions.

PART I: THE CLIMATE FOR CULTURALLY INTELLIGENT INNOVATION

Bringing together the seminal research on innovation, cultural intelligence, and social psychology, Part I explores the essential elements for creating a climate that promotes culturally intelligent innovation.

Your mind is your most powerful asset for innovation. See how consciously paying attention to innovation and the diverse perspectives around you primes you to come up with better, innovative solutions.

Learn how seeing from another point of view is a fascinating, critical part of developing innovative solutions that truly address the pain points of potential users.

PART II: THE 5D PROCESS FOR CULTURALLY INTELLIGENT INNOVATION

Once you've created the ideal climate for culturally intelligent innovation, it's time to manage the process. The process for culturally intelligent innovation includes the steps covered in many innovation books, but Part II describes how to adjust those steps for a diversity of participants and users.

DRIVEN BY DIFFERENCE

"**D**iversity leads to innovation!" That's the mantra repeated by many diversity proponents. I just heard it again a couple of weeks ago from a diversity guru who spoke before me at an international leadership conference in New York. It makes sense. Looking at a problem from a diversity of perspectives is likely to yield better solutions than viewing it solely from one myopic view. But this rose-colored view of diversity doesn't jive with reality. Just as two newlyweds quickly discover that vastly different perspectives on how to set up house don't necessarily lead to better results, the same is true for multicultural teams that are coalescing on a project.

I recently talked with a senior vice president from one of the largest global banks who told me his bank cut its diversity and inclusion budget by 90 percent because its leaders couldn't see any return on investment from their diversity efforts. A couple of months ago, a group of South African executives told me, "We're two decades post-apartheid and we've made very little progress in seeing better results from our incredibly diverse workforce." And many universities and governments around the world have abandoned affirmative action–type programs, suggesting it's time to move on.

Meanwhile, there's very limited diversity in many of the Silicon Valley companies lauded as examples of innovation. Jeffrey Sonnenfeld of Yale University believes tech firms place a premium on young white males. He says, "It's sort of a throwback to an era we should be long past, which is the macho world of the giggling boys, with the hackers' sensibility that somehow we are living in a pure meritocratic world."[1] Google executive Nancy Lee agrees, at least in part. She admits that Google's workforce is predominantly white,

and 83 percent of its tech workers are male. Along with other Google executives, she is on a crusade to change that.[2]

Should tech firms, banks, and universities recruit a more diverse workforce simply because of pressure from stakeholders that it's the right thing to do? Or can a more compelling case be made for how a diverse workforce leads to greater innovation and success? Are there economic advantages to having a more diverse team, or is it simply a straw man argument?

There's no question that cultural diversity provides one of the greatest opportunities for global innovation. The potential is enormous. But it's a correlation, not causation. An organization that learns how to utilize the diverse perspectives from multicultural teams has a tremendous opportunity to come up with better solutions. In fact, when used strategically, diversity is one of the greatest resources for coming up with innovative solutions, which in turn leads to economic benefits. Learning the managerial steps for translating diversity into innovation is the primary objective of this book.

> **How can you utilize diverse perspectives to come up with better solutions? And what part of the innovation process needs to be adjusted to leverage diversity for better innovation?**

Those are the two primary questions this book will address.

Diversity by itself does not ensure innovation. Diversity combined with high cultural intelligence (CQ) does. Cultural intelligence is the capability to function effectively in culturally diverse situations. It's rooted in rigorous academic research conducted by scholars around the world. I've written much about the four capabilities required to work and lead with cultural intelligence.[3] But this book reflects the next stage in our research on cultural intelligence: implementing a culturally intelligent process to drive innovation. Getting diverse teams to function at the highest levels

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of productivity requires a leader and team members with high CQ and a plan for culturally intelligent innovation.

Chapter 1 introduces the core concepts behind a culturally intelligent approach to diversity and innovation, and it exposes many of the shortcomings of existing diversity paradigms. After that, the rest of the book is divided into two parts. Part I describes the *climate* needed for culturally intelligent innovation—both individually and for an organization as a whole. Part II describes the *process* for culturally intelligent innovation (see Figure X). The material in Part I stems from the research on cultural intelligence conducted by my colleagues and me, and from the seminal findings about creativity, innovation, and social psychology. Our research included surveys, interviews, and focus groups from every major industry, across 98 countries, and from more than 50,000 global professionals. That research informs the work I'm privileged to lead at the Cultural Intelligence Center, where we work with organizations and leaders around the world to help them assess and improve their work across cultures. The research on cultural intelligence reveals four capabilities consistently found in those individuals who can effectively work in culturally diverse situations. Given that I've written extensively about those four capabilities elsewhere, in this book I've simply provided a brief description of the cultural intelligence model and research in Appendix A. All four CQ capabilities (Drive, Knowledge, Strategy, and Action) are a part of culturally intelligent innovation, but the one that is most essential for creating a climate for culturally intelligent innovation is CQ Strategy—the degree to which you consciously address and use cultural differences to come up with better solutions. Many of the powerful ideas described throughout Part I—the power of perspective taking, freedom from distractions, the importance of trust—are relevant for any individual and team that is trying to innovate. But the more diversity on the team, the more important these practices are. Each chapter in Part I describes how to

intentionally foster a climate that is conducive to generating and implementing better solutions for diverse groups. And each chapter ends with a brief "Climate Assessment," giving you a chance to evaluate your current climate for culturally intelligent innovation.

Figure X: Culturally Intelligent Innovation
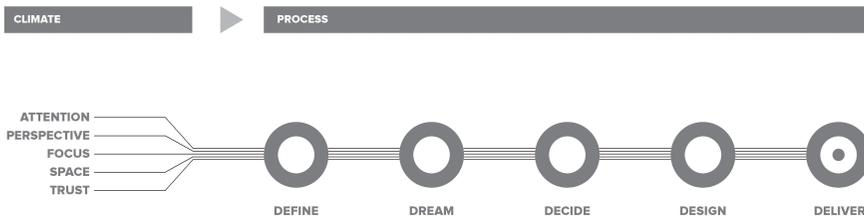
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Part II describes the *process* for culturally intelligent innovation. My bookshelves are overflowing with books on innovation, and nearly every magazine I read has articles on the topic. Do we really need one more book on the subject? Yes, because many of the current resources overlook the issues and opportunities that are relevant for innovation in a more global, diverse context. The innovation process described in Part II specifically addresses how the innovation process used by many leading companies needs to be adapted for culturally diverse situations. The material throughout this section combines our work in cultural intelligence with the world-renowned work of people like Clayton Christensen at Harvard Business School and the ideas and methods used at places like the d.school at Stanford University.

The first chapter in Part II is about how to align diverse expectations—the number one issue that derails most teams pursuing a new project (Chapter 7). Then we examine the specific challenges and opportunities of generating ideas from a diverse group (Chapter 8). Next, we look at how to select and pitch an idea in light of cultural differences (Chapter 9), at the implications of diversity

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on design and prototyping (Chapter 10), and finally, at a culturally intelligent way to implement better solutions (Chapter 11). Each chapter includes case studies and describes specific ways to approach the innovation process in light of cultural differences.

I don't view diversity primarily as a problem to be solved. Instead, I see it as a treasure trove, rich with innovative solutions waiting to be mined. When you see through another set of eyes, you gain the opportunity to see possibilities that you otherwise miss. The innovative potential of diversity is all over the place—but it's not automatic. It requires a deliberate, culturally intelligent process. And that's what we're going to tackle together in the pages that follow.

DIVERSITY IS.

Amri Johnson, a senior executive at Novartis, is often asked what he thinks about the state of diversity in today's corporate environment. Amri laughs. "What do I *think* about diversity? Diversity is. That's it. It's not going away. It's here to stay and it's going to become more of an issue everywhere. *So what do we do about it? How do we optimize the opportunity?* That's the question I'm interested in discussing."[1]

Amri is right. These days, people are moving from everywhere to everywhere. First-generation immigrants are leaving Toronto for rural regions across Canada. Gay couples are moving into the suburbs. Chinese farmers are relocating to Australian suburbs, and Australian entrepreneurs are setting up agricultural businesses in China. Today, 36 percent of the U.S. workforce is made up of people of color, and by 2040, there will be no U.S. ethnic or racial majority. That reality is coming even more quickly to Canada. The shift is happening in more traditionally homogenous places like Denmark and Sweden as well. Similar trends exist most everywhere. And when you add the diversity of perspectives that come from one's gender, socioeconomic background, sexual orientation, profession, faith, and much more, indeed, "Diversity is." And there's no indication that the movement of people from everywhere to everywhere is going to lessen anytime soon.

If you wanted to visit the most culturally diverse country in the world, where would you go? India? The United States? Australia? The United Kingdom? Actually, you need to head to north central Africa, where Chad, the most culturally diverse country in the world, has 11.5 million people from more than 100 different eth-

nic groups. Erkan Gören from the University of Oldenberg in Germany studied the level of multicultural diversity in 180 countries. According to his data, the most culturally diverse countries in the world are Chad, Nigeria, the Democratic Republic of Congo, and a number of other African countries. The only Western country in the top 20 list is Canada. India is close behind, Mexico is just a bit further down, and the United States is in the middle of the list. The least diverse countries by Gören's measurements are Argentina, Haiti, Japan, and the Nordic countries.[2] The top 10 most culturally diverse cities in the world are less surprising: Dubai, Singapore, Hong Kong, Toronto, San Francisco, Sydney, Paris, Los Angeles, London, and New York.[3]

The Diversity of Diversity

Diversity is sometimes used to broadly include any kind of difference, such as differences in personality, skills, working styles, tenure, and thinking. But if diversity includes everything, it ends up meaning nothing. On the other hand, diversity is more than just black versus white or German versus Chinese. Each of us is part of several different social groups, and there's incredible diversity within most countries.

Social categorization theory explains our human tendency to categorize people into "in-groups" and "out-groups." Subconsciously, we meet someone and within 10 seconds decide whether the person is "in" or "out." Think about how that influences the dynamics of a brainstorming session for a group tasked with developing an innovative solution! The way we determine who's in and who's out depends upon the context and the situation. For example, you might feel a loose sense of association with other people in your industry (e.g., teachers or engineers), with anyone who also works at your organization, or with someone who has

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the same disability as you. But for a group to truly have a "culture" of its own, it requires a shared pattern of beliefs, values, behaviors, customs, and attitudes.[4] Dutch psychologist Geert Hofstede says that culture is the collective programming of the mind that sets one society apart from another.[5] Therefore, in order to be a culture, there has to be a pattern of thinking and behavior that *distinguishes* it from other groups. Diversity is a way of describing any group that includes two or more cultures working and/or relating together.

That still leaves us with a very broad definition of diversity. Each of us is part of several different cultures, including our national origin, ethnicity, organizational and professional groups, gender, generation, sexual identity, socioeconomic status, religious beliefs . . . and the list continues. National culture is the cultural difference that most strongly shapes most people's behavior, though that's not as true in a place as diverse as Chad or in a newly formed republic where geopolitical boundaries have little to do with one's identity.

What culture most strongly influences the way you think and behave? It depends upon what you're doing, where you are, and who else is there. For example, many Indians working in Silicon Valley report that their workplace habits and preferences resemble North American norms, but when they go home at night, they behave in more "Indian" ways. Or think of it like this: You might not identify very closely with your hometown until you're away from it and meet someone who is also from the same town. Then suddenly that part of your cultural identity becomes relevant.

Regional Perspectives on Diversity

A study conducted by the Economist Intelligence Unit found that executives across different regions of the world look at diversity differently. Gender and age were seen as the top diversity issues challenging workplaces in the Asia-Pacific region, and ethnic and religious differences were seen as the top challenges in the Middle

East and Europe. (See Table 1-1 for the top challenges identified by executives across five major regions of the world when talking about a diverse workforce.) This study examined what executives *perceived* as being the forms of diversity that were most challenging. Their perceptions may not be accurate. For example, even though Middle Eastern executives (mostly men!) didn't identify gender as a leading challenge, other studies suggest it should be one of their top concerns. But it's important to be aware of what executives from various regions perceive to be the most relevant challenges facing them.

Table 1-1 Top Diversity Challenges by Region

	Ethnicity	Gender	Age	Religion	Language
Asia-Pacific		✔	✔		
Europe and Middle East	✔			✔	
Latin America					✔
North America			✔		
Sub-Saharan Africa				✔	✔

SOURCE: Based on data reported in Economist Intelligence Unit, *Values-Based Diversity: The Challenges and Strengths of Many* (London: Economist Intelligence Unit, January 23, 2014). http://www.economistinsights.com/sites/default/files/EIU_SuccessFactors_Values-based%20diversity%20report.pdf.

What Kind of Diversity Matters Most

There are two kinds of diversity that most typically influence workplace behavior: visible diversity and underrepresented groups. The first one, visible diversity, refers to those differences that can immediately be observed when looking at someone. This includes differences that stem from ethnicity, gender, age, physical disabilities, and sometimes religion (such as a woman wearing a head

covering). It's very difficult to disguise these cultural differences and as a result, they immediately influence the snap judgments made by others.

The second form of diversity that is most relevant for workplace contexts is any person from a culture that is underrepresented in the group, something Rosabeth Moss Kanter calls tokenism. Tokens are members of a subgroup who represent less than 15 percent of the whole group, and the disproportionate representation skews the ways they're perceived.[6] Being the only Southerner on a team of Northerners, the only marketer on a team of engineers, or the only "foreigner" in a department highlights cultural differences that might otherwise be overlooked. Many individuals reflect both forms of diversity, such as being the only person of color on a team and thereby being both visibly different and one of the underrepresented team members. But underrepresentation is also a factor for people with cultural differences that aren't as visible, such as having a particular sexual orientation, ideology, socioeconomic status, or level of tenure that deviates from the dominant norm in a group. An underrepresented group could also be a majority group that has limited power and voice, such as what black South Africans experienced for many years. In addition, underrepresentation is context-specific. Men are underrepresented among HR professionals, for example, and women are underrepresented among engineers. Each organization and team needs to consider what groups are underrepresented in their contexts.

For the purposes of this book, diversity refers primarily to those who are visibly diverse and/or underrepresented. You can rightfully apply the principles of the book to other differences as well, such as the diversity of thought or the diversity of experiences or skills. But visible diversity and underrepresentation have the most potential to create conflict and opportunity for developing innovative solutions.[7]

WHAT KIND OF DIVERSITY MATTERS MOST?

1. Visible Diversity
2. Underrepresentation (Tokenism)

What ultimately matters is not the source of diversity but the different values and perspectives that emerge from it. The more diversity you have within an organization, the more ideas there are for how things *should* be done. Many intercultural training programs focus on the superficial manifestations of cultural differences such as how to exchange business cards or appropriate gift giving. *But the differences that most strongly influence innovation are the varied approaches for communicating, planning, and executing tasks. How do you align the values, expectations, and work styles of four generations, dozens of nationalities, and endless subcultures toward a universal vision and strategy for the organization?*[8] Answering that question is at the crux of our work on cultural intelligence because our interest has been to improve effectiveness working across cultural differences. And it's central to the purpose of this book—using different cultural perspectives to drive innovation. Cultural intelligence allows individuals to adapt their motivations, work ethic, and communication styles while learning from the different value perspectives to create better solutions.

Consider the diversity of generations in the workplace as an example of how competing values play out. This is the first time in history that four generations are working together, and a fifth one—Generation Z—is entering the mix. Many executives are working hard to attract high-performing young leaders. Upon recruiting them, they try to motivate Millennials with money, status, stability, and other things that may be entirely missing the values that drive them. As a whole, Millennials are less likely to value

money for security and status and more likely to value it because it provides the resources they need to pursue their dreams. Many organizations miss this crucial point. Many executives got where they are by placing a high value on money and promotions, so they assume that's the way to do business with Millennials. When Millennials don't bite, the executives presume that means the younger workforce is entitled and unmotivated. But as Bill McLawhon, head of leadership development at Facebook, said to me:

> As a 56-year-old guy, I went through a period where I looked at these young kids and thought, "Wait until you get your butt kicked out in the real world." But I quickly realized this *is* the real world. And they're making it their own. This is the future of work. It doesn't look much like the world of work where I started. But I'm completely awed by the high-performing individuals I get to coach every day, most of whom are young enough to be my kids.[9]

Hiring a diversity of age groups is a start. But if you don't utilize the diverse perspectives of different age groups and instead try to mold them into all of your values, not only will you lose them but you will also lose their insights on what connects with consumers who share values with them.

Most of the research on the value differences across generations is biased toward Millennials from North America; however, generational differences are found in other parts of the world as well. The Asia-Pacific region is where generational differences have created some of the most conflict in the workplace because the area has a long history of centralized control in which flexible work structures and accommodating individualized preferences goes against the grain. Most Millennials in places like India, Taiwan, and Malaysia still have a strong measure of collectivism and filial piety—a loyalty to one's in-group and a sense of responsibility to defer to one's father or elders. But that orientation is tempered by

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the values these young people have for self-expression and flex-ibility.[10] Whenever you have multiple layers of cultural differences in one individual—such as a Millennial from Japan working in a U.S. company and reporting to an American baby boomer, there's all the more potential for value collisions.

Whether diversity is visible or not, what matters most are the vastly different values and perspectives that emerge from cultural differences. Culturally intelligent innovation begins with reflecting on and mapping the value differences that exist across your team. But before we can jump into describing effective ways to leverage those differences, we need to discuss some of the insufficient at-tempts that have permeated this discussion over the last 20 years.

Diversity Fatigue

The other day I was working out at the gym and I overheard a guy say to his buddy, "So tomorrow I have to go to a diversity training workshop." "Oh God!" the other guy said. "That's right up there with getting a root canal!" to which his friend responded, "I don't mind diverse people as long as they agree with me!"

Many employees and executives have "diversity fatigue"—they've done the diversity thing and they're ready to move on. There's a lot of great work that has been done by diversity and inclusion professionals around the world, but something has to change in how we address this vital area of concern.

Shame on You!

Employees sometimes walk away from diversity programs having heard one more shaming diatribe about racism or sexism, which they then shrug off as they struggle to see the relevance to their daily routines. Others leave diversity programs overly paranoid of saying something offensive, so instead of having real conversations with

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diverse colleagues, they walk on eggshells lest they be guilty of the kind of discriminatory behavior they heard described in their recent workshop. Shame and an emphasis upon punitive measures for not embracing diversity are too prevalent in many conversations about this topic. What's more, they rarely bring about lasting change.

One time, I was speaking to a group of U.S. real estate agents. Afterward, an older Caucasian woman walked up to me and asked, with a hushed voice, "Are you familiar with this group at the local university that brings together nonwhite, um, no, I mean, minority . . . No, that's not right either. I meant to say foreigners. Oh! Never mind! I don't know how I'm supposed to talk anymore. . . . " I assured her, "It's okay. I know what you're trying to say."

People are often scared to even enter the conversation about different cultures for fear they'll say something racist. Mind you, this woman had just listened to one of the other speakers at the real estate conference berate the agents for their consistent use of offensive, discriminatory language, including *walk-in-closets* ("How do you think that makes a disabled person feel?" he asked.) and *master bedrooms* ("Do you know how that sounds if your ancestors were slaves?"). Using appropriate language is a start, but it's far from what is really needed to build culturally intelligent relationships. We have to find ways to address the difficult, sensitive issues surrounding cultural differences without becoming paralyzed and failing to engage in the conversation.

Representation and Compliance

Another thing many organizations do when addressing diversity is ensure they have diverse representation across leadership and staff. It's hard to imagine being a relevant organization today if people go to your website and staff listings and see only people from one ethnicity, gender, or age group; and compliance with legal guidelines for diversity is essential. But is hiring a representative team the best way to drive culturally intelligent innovation?

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Once, I was in a meeting at the university where I taught, sitting next to my friend and colleague Christy. Christy was a vice president at the university and one of the most vocal women on campus regarding the importance of equal opportunities for female faculty, staff, and students. As the meeting got started, the guy chairing the group jokingly said to her, "I'm sure you'd love to take the minutes for us, wouldn't you, Christy?" He continued to make chauvinistic references throughout the meeting. I was waiting for Christy to level him, but she didn't. Instead, she engaged in the meeting in light of her responsibilities as a vice president, and she said nothing about the pats on her shoulder, the soccer mom jokes, and the chides about how she probably didn't get the sports analogies he was using. As we left the meeting, I said, "Christy! I can't believe you took that. Why didn't you say something?" She looked at me and said, "Because I was hoping you would speak up!"

Ouch! I could feel my face immediately go flush. I knew she was right. Everyone expects women like Christy to advocate for women, and people of color are expected to speak up on behalf of other underrepresented groups. But it's not enough to simply have women like Christy on the team. *Everyone* needs to own the value of building a culturally intelligent climate. It's not that Christy needed me to speak for her. It's that I could have voiced why the chair's behavior was unacceptable to *me!*

Intentionally hiring a diverse staff is a critical step in becoming a more culturally intelligent organization. But making the most of that diversity requires a commitment from everyone to utilize the differences effectively.

Cultural Awareness Training

Another strategy typically employed to address diversity and inclusion is cultural awareness training. This kind of training usually emphasizes becoming more aware of one's own cultural background and understanding other cultures. Self-awareness is a

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critical step in the process of creating a culturally intelligent team. There's little hope that you can develop the skills to work effectively across cultures if you don't first have an awareness of how culture shapes your own thinking and behavior. One of the most effective ways to promote self-awareness is through the world-renowned work on unconscious bias—exposing ways we unwittingly favor certain types of people based upon our upbringing, experiences, and values. But self-awareness is not enough. The inevitable question after this kind of training is "Now what?" In other words, I know I'm biased and so is everyone else. What am I supposed to do about it?[11]

The other emphasis of most cultural awareness training programs is learning the basic stereotypes about large cultural groups. There's a place for understanding the cultural norms that are generally true of people from a particular context. However, these kinds of stereotypes have to be held very loosely. Let's assume you're being taught how to work effectively with Indians. But can you really generalize norms for more than 1 billion people? And do these norms apply equally to an Indian born and raised in Toronto, one who lives her entire life in Mumbai, and yet another who is from Delhi but working in Dubai?

None of us can be reduced to a single storyline. Our lives are far more multilayered than that. I'm an American, but my parents are Canadian. I have a Ph.D. I'm white. I'm a dad. I'm a Christian. Any one of those labels carries with it all sorts of connotations. But only as you and I get to know each other can we really understand how we've each been shaped by the varied cultures of which we're part. No one storyline defines you or me. One of the fundamental problems with most intercultural training is that it cannot substitute for direct knowledge from interpersonal interactions because cultural values alone are not a strongly predictive feature of human behavior.

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Kumbuya

Finally, many people grow fatigued from the diversity conversation because they perceive it as little more than a soft, touchy-feely topic filled with artificial Kumbuya moments focused on everyone getting along.[12] As with all these incomplete approaches to cultural diversity, there's an aspect of this emphasis that's critical. Cultural intelligence has to be rooted in something more transcendent than learning about other cultures to manipulate them. And respect and understanding are essential in the process of culturally intelligent innovation. But I understand why many leaders struggle to justify investing in diversity initiatives if they're simply framed as "do-good" programs and don't directly tie to the organization's strategic mission.

The Kumbuya approach is all about the "conversation" and helping people listen to each other. Intercultural dialogue and discussion certainly has a place. I was reared in a staunchly religious, fundamentalist subculture, and the first step in my seeing the world more broadly came from talking with people from different religions and backgrounds. I found that these people weren't as suspect as I had imagined them to be and discovered we had a great deal in common. But over time, I needed more than just conversation with my "Other" to sustain my growth and development in cultural intelligence.

I've grown increasingly fatigued and bored by unending conversation that doesn't lead to action. We need to move beyond politically correct, culturally sensitive agendas that minimize debate and overemphasize common ground. And we need to move toward action-oriented, robust discussions that lean as much into our differences as our similarities, for therein may lie our greatest insights for innovation and action.

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Diversity × CQ = Innovation

Diversity is here to stay. And it's going to continue to shape the way you operate internally and externally. Diversity by itself does not lead to better innovations. And many of the predominant diversity approaches miss the mark. But cultural intelligence is what makes the difference. The cultural intelligence of the individuals on a diverse team determines whether the team's diversity promotes or deters innovation. When you're involved in a situation characterized by cultural diversity, your CQ is the multiplying force that predicts whether you experience positive or negative benefits from diversity. Those with high CQ can manage the differences to come up with better solutions, while those with low CQ are continually frustrated when working with diverse colleagues and customers.

The top two reasons organizations need culturally intelligent personnel are the growing realities of increasingly diverse markets and the growing diversity among members of the workforce. For most organizations, the greatest opportunities for growth exist in expanding across a diversity of markets at home and abroad. Fortune 500 companies expect the greatest revenue streams over the next decade to come from emerging markets, and top universities are recruiting students from around the world and from groups previously underrepresented on their campuses. One of the best ways to effectively reach these diverse markets is through a diverse workforce. The convergence of consumer diversity with workplace diversity is the nexus of the greatest challenges and opportunities for a culturally intelligent approach.

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TOP TWO REASONS CULTURAL
INTELLIGENCE IS NEEDED

1. Diverse Markets

2. Diverse Workforce

The convergence of consumer diversity with workplace diversity is the nexus of the greatest opportunities and challenges for a culturally intelligent approach to innovation.

How do you ensure that diversity leads to innovation and improved solutions rather than gridlock and inferior results? And how should you address this when there's already a significant level of diversity fatigue on the part of many in the workforce? Diverse teams *can* come up with far more innovative solutions than homogenous teams, but it's not automatic. The key lies in *minimizing the interpersonal conflict* from diverse groups and *maximizing the informational diversity* that exists in the varied perspectives and values.[13] This is what gave birth to our work in cultural intelligence at the Cultural Intelligence Center. We encountered leaders who had extensive understanding about different cultures but still couldn't effectively develop a plan for leading a culturally diverse team. We observed teams that were aware of their internal biases but still couldn't work together productively. And we saw organizations that successfully hired a more diverse population but found themselves stuck in gridlock. Cultural intelligence addresses these shortcomings by providing a more sophisticated approach for working across cultures.

Cultural intelligence, or CQ, is the capability to relate and work effectively in culturally diverse situations. Our research on cultural intelligence finds that the culturally intelligent have developed skills in four capabilities. The four capabilities (see Figure 1-1) are:

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1. *CQ Drive (Motivation):* Having the interest, confidence, and drive to adapt cross-culturally

2. *CQ Knowledge (Cognition):* Understanding intercultural norms and differences

3. *CQ Strategy (Metacognition):* Making sense of culturally diverse experiences and planning accordingly

4. *CQ Action (Behavioral):* Changing verbal and nonverbal actions appropriately when interacting cross-culturally

Figure 1-1 Four CQ Capabilities

CQ Drive Your interest, drive, and confidence to adapt to multicultural situations.	**CQ Knowledge** Your understanding about how cultures are similar and different.
CQ Action Your ability to adapt when relating and working interculturally.	**CQ Strategy** Your awareness and ability to plan for multicultural interactions.
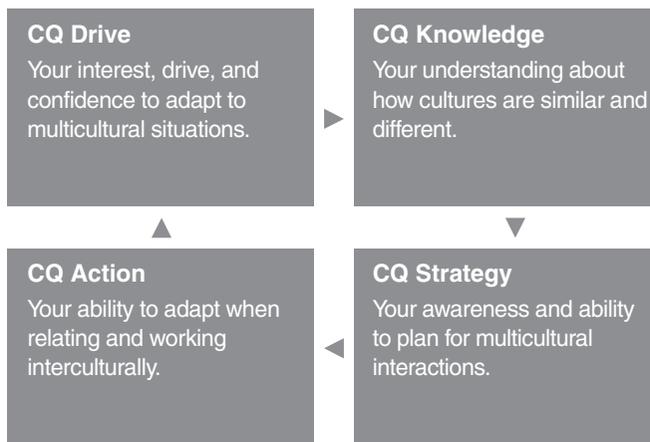
The research proves that all people can improve their CQ, and there are several promising results predicted by higher levels of CQ. (See Appendix A for additional information on assessing and developing the four capabilities of cultural intelligence.)

ROI of High CQ for Individuals

Your CQ predicts how you will perform when working in culturally diverse situations—whether living or traveling internationally,

working on a project with culturally diverse colleagues or customers, or working across two different organizational cultures. Meanwhile, 90 percent of leading executives from 68 countries identify cross-cultural skills as one of the most important capabilities needed in remaining competitive.[14] Therefore, the higher your CQ, the more likely you will outperform others, gain new opportunities, earn higher wages, and experience success working in the diverse, globalized context.

ROI of High CQ for Organizations

The most important ROI for organizations with culturally intelligent individuals is that companies are more likely to accomplish their mission in culturally diverse situations. When CQ levels are low, diverse teams *underperform* homogenous teams. But when CQ levels are high, diverse teams *outperform* homogenous teams on several measurements—productivity, employee engagement, profitability, innovation, etc. More specifically, organizations that have employees with high CQ can expect:

- *Expansion into culturally diverse markets (global or domestic):* Adapting local delivery of products and services to diverse markets
- *High-quality service to culturally diverse customers, patients, or students:* Anticipating how to best serve culturally diverse customers and respond appropriately when mistakes and misunderstandings occur
- *Speed and efficiency:* Closing deals and accomplishing results effectively and efficiently in culturally diverse contexts
- *Productive global assignments*: Successful and sustainable international assignments
- *Becoming an employer of choice:* Attract and retain global talent when cultural intelligence is valued and modeled throughout the organization

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- *Profitability and cost savings*: High-quality results and bottom-line performance when employees have high CQ
- *Multicultural team effectiveness*: Effective communication and performance as a diverse team.[15]

One of the ways we've examined the connection between diversity, CQ, and innovation is by looking at how diversity and CQ influence the degree to which individuals speak up on culturally diverse teams. Speaking up to express one's ideas and opinions is a critical part of the innovation process. But it's an exercise fraught with risk. A couple of my colleagues conducted research on how CQ influences whether a diverse team member speaks up. In one study, data were collected from 303 students attending an Asian university. All of the students were placed on teams that were assigned a complex, three-month project that represented a significant portion of their course grade. Some of the teams were made up of students from nationally diverse backgrounds, and other teams had students who were all from the same nationality. Students with low CQ were less likely to speak up if they were on one of the diverse teams as compared to if they were on a homogenous team. However, the students with high CQ spoke up as much or more on a diverse team as they did on a homogenous one. Their CQ attenuated the potential risks of voicing their input among a group of culturally diverse peers. As a result, the diverse teams that had students with higher levels of CQ came up with the more creative approaches to their group assignments.

The study was replicated by examining 205 supervisor-subordinate relationships across 41 offices of a multinational organization headquartered in Europe. The effects were similar to the study with the students. Subordinates with low CQ who reported to supervisors from a different cultural background were less likely to speak up and offer their ideas to their supervisor. But subordi-

nates with high CQ consistently offered their input regardless of the cultural differences.[16]

Thus, high CQ predicts the degree to which individuals speak up in culturally diverse situations. In addition, individuals with high CQ are more likely to overcome the interpersonal challenges and anxieties created by cultural diversity. They build trust and engage in risk-taking behaviors such as voicing contrary opinions, and they do so in ways that are nonthreatening to others. We'll explore this critical finding further in Chapter 8 when we look at how to effectively generate ideas from a culturally diverse group.

The research on the potential benefits of diversity continues to grow. A growing body of evidence supports the idea that organizations that learn how to effectively obtain the ideas and input of a diverse workforce outpace those that are solely operating from a monolithic perspective.[17] Google's internal employment survey found that teams that were both diverse and inclusive were also the best at innovation. Sara Ellison, an economics researcher from MIT, conducted a study that demonstrated the improved business results that can come from teams with greater gender balance. The teams that had both genders equally represented and equipped participants to intentionally utilize the gender differences came up with more creative solutions than teams dominated by one gender. One professional service firm saw its revenue increase by 41 percent when it developed a plan to form teams with equal numbers of men and women and equipped them to utilize the value of their different perspectives.[18]

Jack Ma, the founder of Alibaba, says, "One of the secret sauces for Alibaba's success is that we have a lot of women."[19] Women hold 47 percent of all jobs at Alibaba and 33 percent of all senior positions—a stark contrast to what typically happens in tech firms. Women bring new knowledge, skills, and networks to the table and take fewer unnecessary risks. But the key lies in whether their female perspectives are effectively utilized with cultural intelligence.

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Even following a diversity of people on Twitter has been proven to yield more innovative ideas than only following people who are similar to you.[20]

Novartis, the Swiss pharmaceutical giant, combines its commitment to cultural intelligence with utilizing multicultural employee resource groups to provide market research for launching new brands. The cultural perspectives offered by the staff provide a built-in resource that offers better findings than traditional market research findings and for virtually no cost. The research indicates that when a culturally intelligent team has at least one member who comes from the same cultural background as a targeted end user, the entire team better understands that user. In fact, one study found that a team with a member who shares a client's ethnicity is 152 percent more likely to understand that client than a team without someone from that background.[21] And because cultural intelligence is a multiplying force, the more cultural diversity and the higher the CQ among the team members, the greater the innovative potential. Novartis estimates that it has saved millions of dollars by using its built-in diversity while simultaneously using its culturally intelligent, multicultural teams to provide innovative solutions that improve and save people's lives.

The greater the diversity on your team, the more likely you can uncover potential problems and come up with creative solutions. True, it's a process that comes more slowly, and it's often much more difficult. When everyone sees things the same, there's an ease with which people can relate, work, and openly share their thoughts. Most teams find it more enjoyable, and it's more efficient in the short run. But that's a shortsighted view. When diverse teams draw upon their differences with cultural intelligence, it leads to better results. And with time, it's far more rewarding because you get to see the world in much more colorful ways.

Conclusion

Diversity is. The convergence of consumer diversity with workplace diversity is the nexus of the greatest challenges and opportunities related to innovation. Homogenous teams outperform diverse teams when CQ levels are low. But when team members have high CQ, diverse teams are more innovative and productive than homogenous teams are.

I promise you more than empty platitudes about the benefits of diversity. Instead, we're going to look at empirical findings and best practices from leaders and organizations around the world that are tapping into the opportunities of culturally intelligent innovation. We'll begin with the essential elements for building a climate for culturally intelligent innovation; then we'll walk through the process for driving culturally intelligent innovation.

Managing diversity is a long-term game. Nancy Lee, Google's diversity chief, acknowledges how far her company has to go to change its white, male-dominated workforce. But she and her colleagues are committed to it. She says, "To succeed in business today, you need ideas coming from every perspective and background. Period."[22]

DIVERSITY × CQ = INNOVATION

The cultural intelligence of the individuals on a diverse team determines whether the team's diversity promotes or deters innovation. Improve CQ to gain the benefits of diversity.

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