

Ethnic diversity – business needs to catch up

As the New Zealand population becomes more multi-cultural, the question has to be asked: is ethnic diversity reaching the upper echelons of business leadership? Amy Williams reports

In Auckland, Wang topped the 2013 Census list of the city's most common surnames, followed by Li, Chen and Liu. Smith, still the country's number one surname, came in fifth in our largest commercial centre. The census also revealed that almost one out of eight New Zealand residents are Asian. New Zealand is rapidly becoming more multicultural, but is business keeping up with the pace of change?

Not according to Director of Ethnic Affairs, Berlinda Chin, who says business is not as ethnically diverse as the population, and needs to catch up in order to enter new markets and meet the needs of local customers.

Figures for multiculturalism in the boardroom are hard to come by, but the few available show a lag in ethnic diversity at top management and boardroom levels. The Office of Ethnic Affairs, for instance, can identify a slight decline in estimates of ministerial appointees of ethnically diverse backgrounds from 1.4 per cent in 2010 to 1.3 per cent in 2012.

Berlinda says New Zealand workplaces have been slow to ride the wave of ethnic diversity, but that people are more open to having a conversation on this subject now than they were five or ten years ago.

In the private sector, an EY survey of the country's major firms found that 13 per cent have Asian managers in their executive teams and five per cent have Asian directors on their boards.

Some New Zealand companies do make appointments to represent their markets. Both Haier and Synlait have

Asian directors on their boards, and SKYCITY Entertainment Group is waiting for regulatory approval to appoint Melbourne and Hong Kong-based consultant Richard Tsiang as a director. When the company announced his appointment, SKYCITY acknowledged that given his ethnicity, he would bring valuable insights into its prime client base to the boardroom.

Generally though, ethnically diverse appointments are not happening at the same pace as our changing population.

LOOKING EAST FOR EXPORTS

As the chair in Business in Asia at Victoria University, Professor Siah Hwee Ang has a particular interest in ethnic diversity in business. He says New Zealand boardrooms still trail behind in ethnic diversity yet paradoxically, businesses are looking east to grow.

The magnitude of China and India makes them very attractive markets, and Professor Ang says companies without local knowledge of the business culture and experience in those markets are at a clear disadvantage.

The common export model of hiring a salesman on the ground rather than incorporating the knowledge in the company is outdated, he says.

"If your product is good, normally that's the icebreaker — it's going to fly. But the bargaining power of Asian business is going to increase" Professor Ang says.

"It becomes more important to align within a board rather than say 'I don't care what you think, we have got quality

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products'. We have to be more sensitive to the way they go about doing business."

Patrick English, the director of the New Zealand China Council, agrees. He spent more than a decade living and working in China, including time as a trade commissioner and diplomat, before joining the council.

Patrick says that when he first started in the role, raising the issue of diversity was met with blank looks, but it's now beginning to be part of the business conversation.

He says there is a Chinese saying that refers to one bed and two dreams, and that can apply to a board that is not representative of the markets it's operating in.

"Having people visit three times a year is not going to wash. Just having locals is also not going to wash. You need representation. It's marrying up not just the culture of two companies but also two legal systems and two sets of expectations," he says.

Professor Ang says companies entering new markets should appoint the right business partners, and make sure they have people in management and around the board table who understand the new



Shamubeel Eaqub



Berlinda Chin



Professor Siah Hwee Ang



Patrick English



Sean Kam

territory. He says that if a company has this level of expertise in people at its core, it will learn rather than just solve a problem.

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CLOSER TO HOME

Given New Zealand's changing demographic, it's not just international markets that companies should be considering. Sean Kam is the only Asian New Zealander to be on the executive team of an NZX50 company in recent times. He was the chief financial officer for NZX-listed company Heartland Bank, and is now chief financial officer for the life insurance company Partners Life.

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People often ask him where he comes from, and Sean is quick to say that as a second generation Chinese New Zealander, he hails from Takapuna. Even then, some people tell him his English is very good. Sean is part of the New Zealand Asian Leaders group, a network set up by prominent lawyer Mai Chen to encourage up-and-coming Asian leaders.

His success story is one of maximising opportunities and he admits that being a sociable, open person helps to break down the stereotype of a shy academic Asian.

Being part of a growing business operating here, he is particularly interested in the domestic market and how it is diversifying.

"The population mix is changing and organisations need to address that in terms of their mix so they are well-positioned to take advantage of the changing customer demographic within New Zealand," he says.

This means recognising customers' cultures and learning what may encourage them to use your business' services – or put them off. He gives an example of giving a gift wrapped in black paper – inoffensive to a Kiwi, but denoting death to someone from China.

Even the way a Kiwi would approach a business deal is likely to be different; Sean says the Chinese place more importance on building a relationship before cutting to a deal.

Sean says there are many skilled people of Asian ethnicity who could add diversity to New Zealand boards, but he says it really is up to each individual to forge their own path.

Berlinda says that it is important for businesses to have an ethnically diverse leadership team, but that skills should always come first. She is not a fan of quota systems, which she believes create a superficial focus on gaining diversity.

RESILIENCE AND THE BOARD

Shamubeel Eaqub, principal economist at New Zealand Institute of Economic Research, says it's important that businesses don't lose sight of what they're trying to achieve, which should be a group of directors who are capable of doing the job well.

That said, he says diversity strengthens a company's resilience and it's about bringing people in rather than forcing others out.

"It gives you much better governance because you've got lots of different points of view and are better at identifying opportunities and risks."

Eaqub completed his schooling in New Zealand and attended university here, and he identifies as both Kiwi and Bengali. He says he'd like to see more ethnic diversity in business but change takes time and shouldn't be rushed – plus it's about training the next crop of leaders.

"I do get the sense that people get it, especially when talking to big business, they understand New Zealand works in a global economy that's changing rapidly."

After all, it is a conversation that's started and will continue as companies realise they need to bridge a cultural gap.