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Racial-Ethnic Diversity in Canada: Competitive Edge or Corporate Encumbrance? Part Two

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Racial-Ethnic Diversity in Canada: Competitive Edge or Corporate Encumbrance? Part Two

Canadian Population and Immigration

Part One of this two part article covered an explanation of diversity and an explanation of performance, and an assessment of cultural values of organizations practicing diversity.

To understand the importance of the immigration process in Canada's business environment, let us study some statistics data. Throughout the Canadian Immigration history, there have been ups and downs with the biggest slumps during the Depression years, World War I and World War II. IN contrast, the largest and most stable growth yet has been from the year 1985 until now. Since 2002, the Immigration and Refugee Protection Act (IRPA) is at the core of Canada's immigration program. At the present definition, there are three main categories of permanent residents: residents that are reuniting with their families, residents that contribute to economic development, and residents that are refugees seeking protection. The number of permanent residents is presented in Exhibit 2 in the Appendix.

The importance of ethnic diversity in the Canadian business environment should not be understated. According to the statistics, the percentage of immigrants for the last 30 years has been pretty constant at around 1% of the population. Considering that the population has been increasing as a whole, this means that since the 1980s, the yearly amount of immigrants has been continually growing from 143,137 in 1980 to 257,287 immigrants in 2012 (see Exhibit 3 in the Appendix).

According to the Statistics Canada report on population projections from 2009 to 2036, "until the early 1990s, natural growth has almost always been the main driver of population growth in Canada. In the middle of the 1990s however, a shift has occurred and migratory increase has become the main source

of Canadian population growth, partly because of lower fertility, higher immigration and population aging” [iii]. According to all forecasted scenarios of Statistics Canada, the future population growth will be defined mostly by the immigration process. In Exhibit 4 in the Appendix we can see the projection of the Canadian population demographic growth during the period 2009/2010 to 2060/2061 which includes natural increase and international net migration.

The importance of the immigration process in Canada is hard to overestimate. Canada is one of the countries with an immigration-based demographic growth. In their book on ethnic relations, Breton and Raymond (2005) describe the dynamics of the relations between immigrants, ethnic minorities, and the larger society. They describe three main demographic changes. First, diversification of non-British and non-French components of the population. Between 1961 and 1991, European origin declined from 22.6 % of the total population, while Asian origin increased from 0.7 % to 6%. Second, “the relative size of visible minorities increased significantly”. Third, the proportion of the population born outside Canada increased to 16.1% in 1991 (Badets, 1993; Breton and Raymond, 2005, p 307)

The ethnic and gender diversification is a topic of study in Chen’s book *Gender and Ethnic Differences in Organizational Experiences*. The author predicts that the workforce in the US will become more diverse and forecasts the growing influence of women and multicultural groups for the workplace. “The U.S. workforce will become increasingly diverse with more women and people of Asian and Hispanic descent entering the workforce, and have predicted a continued influx of women and members of ethnic minorities into the workplace” (Pitts and Jarry, 2007, pp 1-2).

The Effect of Diversity on Performance

In the literature review thus far, we have focused on the effect of ethnic diversity on performance, with performance being one of the most significant indicators in business. Much of the research explored

the larger definition of diversity (gender, tenure, age, ethnic, etc.) and on its role on the performance level in the workplace. Nonetheless, we tried to extract as much as possible what has been written about the role of ethnic diversity.

Watson et al (1993) correlated performance outcomes between racially heterogeneous and homogeneous teams. The authors say that the ethnically homogeneous teams have better results on short-term projects or in the early stages of a long-term project, while the heterogeneous teams had the same results and sometimes even outperformed homogeneous teams but on longer-term projects. Panzer in his book on team effectiveness and racial diversity agrees: “Thus, demographic heterogeneity may be beneficial to performance when team members have a significant amount of time to look beyond their initial impressions and make more stable social comparisons. However, when team members only have a limited amount of time to interact with one another, demographic composition may play a significant role in the amount of interaction, or coordination that commences between teammates”. (Panzer, 2003, p22)

Some authors consider that heterogeneous groups have more perspectives, or that they are more creative. In 1999, Pelled and his associates, examining 45 cross-functional teams from the electronics divisions of three corporations, found “that demographic heterogeneity improves team decision-making because it incorporates a wider-range of perspectives on how to solve a particular problem” (Panzer, 2003, p18). For example, “O’Reilly et al. (1998) investigated the relationship between work group diversity (tenure, age, sex, and race-ethnicity), group conflict, and creativity using 189 manufacturing and retailing employees”. The authors proved that “race-ethnic diversity was significantly linked to higher levels of group creativity” (Panzer, 2003, p18).

A few authors explore the difference in organizational commitment between ethnic minorities and majorities. Nevertheless this subject is crucially important and could improve work performance of a company via increasing loyalty from its employees. According to Chen (2002), a study hypothesized that

immigrants are more likely to be proud of the company they work for and be committed to the organization. Chen states, “Mighty (1991), who conducted interviews with immigrant women on their organizational commitment levels, found that although few of these immigrants identified closely with their organizations, they perceived themselves as loyal employees. According to Mighty (1991), these immigrant women all reported that they took great pride in their work and would do nothing to jeopardize their performance and their hard-earned reputation. Because ethnic minorities are faced with additional challenges to establish their careers, it likely that they will exert the energy and effort needed to successfully perform their jobs. Consequently, they are likely to be committed to the organization to sustain their hard-earned positions. It was hypothesized that ethnic minorities would be as committed as Caucasians to the organization” (Chen, 2002, p11).

In some more recent studies, different results about relations between diversity effects and performance were obtained. Some results show positive relationship and some negative. Studies showing a positive relationship have come from both laboratory and field experiments. Watson et al. (1993) involved 36 groups of management students in a series of case studies. The authors found out that heterogeneous groups provided “a wider range of perspectives and alternatives”. Practically the same results were obtained in McLeod and Lobel’s (1992) brainstorming exercise with a large sample of graduate and undergraduate students. “While the diverse groups did not tend to produce a larger number of ideas or solutions, the ideas and solutions they produced were of higher quality than those generated by homogeneous groups.” (Pitt and Jarry, 2007, p239)

Alternatively, other research experiments showed a negative relationship between diversity and performance. These results even conflict with the results of Chen’s work we described above. For example, “Greenhaus et al. (1990) also found a relationship between organizational diversity and lower career satisfaction, organizational commitment, and employee perceptions of the likelihood of promotion. Tsui et al. (1992) found that, in diverse work teams, members of the minority, or the primary out-group,

were less committed to the organization, more likely to be absent from work, and more likely to be in active search of other employment. Kizilos et al. (1996) found that “diverse groups exhibited less prosocial behavior than homogeneous groups, and Pelled et al. (1996) provided evidence that high levels of ethnic diversity are related to more emotional conflict in work teams”. (Pitt and Jarry, 2007. p239). According to these authors, “poor performance is a behavioural problem, with negative stereotypes engendering fear and self-doubt which, in turn, may lead to an avoidance of competition. Out-group members (in this case, black Americans) may internalize feelings of inferiority which can lead to a tendency to avoid effort and to a poor self-image. These behavioural (and management) problems may develop among individuals who have the ability to perform, in terms of their skills, knowledge and qualifications.” (Human, 1996, pp 46-64)

Greenhaus et al. (1990) also explored differences between African American managers and Caucasian managers. “They compared their career outcomes, organizational experiences and job performance. More specifically, compared to Caucasian managers, African American managers (a) felt less accepted in their organizations, (b) perceived themselves as having less discretion on their jobs, (c) received lower ratings from their supervisors on their job performance and promotability, (d) were more likely to have reached career plateaus, and (e) experienced lower levels of career satisfaction.” (Chen, 2002, p12). Thus, minority groups often set themselves lower performance expectations which prevent them from getting better results, thereby creating barriers in their career path and decreasing their self-appraisal.

The other type of heterogeneity which influences performance on the workplace is intra-national cultural heterogeneity (INCH), i.e. “heterogeneity stemming from a culturally diverse consumer base that is identified in the confines of one country”. In the qualitative study of Poulis and Poulis (2013), they explain how the INCH influences MNEs (Multinational Enterprises). “For example, markets characterised by INCH are found to facilitate internationalisation and country selection processes from/to

emerging economies. They also leverage firms' exporting processes and allow the drawing of more valid cultural groupings that generate varying performance outcomes for MNEs. Moreover, multicultural markets have been found to aggravate competitive battles between MNEs and local firms as well as generating risks for myopic international management practices. Last but not least, they enhance knowledge transfer processes between MNEs and subsidiaries in host countries and they contribute to international entrepreneurial actions". Thus, countries that have a high index of heterogeneity within themselves facilitate internationalism.

In Human's work (1996), we are faced with two approaches to culture: Maximalist vs Minimalist. The maximalist approach insists that "a person's culture will tend to determine how that person interacts with others". At the other extreme, the minimalist approach argues that "culture constitutes a subconscious part of the person's identity as a communicator and is therefore constructed to a large extent by the perception of the other party in the interaction". These approaches help us better understand the way in which individuals and groups perceive each other. "On a general level, maximalists tend to work with ideal-typical cultural differences which tend to be both monolithic and deterministic. Moreover, contrary to the exhortations (and perhaps the wish) of their authors, such ideal-types, to the average reader, tend to be value-laden which has serious implications for both how individuals and groups perceive themselves and how they are perceived by others. Such perceptions, in turn, in their ability to create either positive or negative self-fulfilling prophecies, impact on both performance and development" (Human, 1996, pp.46 - 64).

Richards and Busch (2013) estimate cultural behaviour "as something that has developed over decades and probably centuries". At the same time they mention effects of "current political, social and economic environments faced by the ethnic group which may alter predicted behavior". They also predict that "exposure to other cultures, which is very high in multicultural countries such as the US and Australia, are likely to influence the culture of the ethnic groups within it" (Richards and Busch, 2013, pp

264-295).

Some authors in their studies differentiated the influence of gender and ethnic diversities over performance. So, Richard and Busch in their “quantitative analysis of ethical vs. realistic practice in the workplace by gender/culture, performed on 119 Australian IT employees from 2 highly multicultural organizations” determined that “passivity and achievement orientation are highly influenced by gender but not by culture. In contrast, we see that assertiveness is highly influenced by culture but not by gender”. (Richards and Busch, 2013, pp 264-295)

The ideas expressed in the work of Thomas (2009) could resume our literature review on ethnic diversity and performance. As organizations become more diverse, the employees have different “mindsets, wants, needs, and desires”. The author emphasizes that “culture is critical to understanding what goes on in organizations, how to run the organization, and how to improve organization performance [...] The leader understands and valuing of the unique ethnic differences will allow the organization to bridge the differences and enrich the organization as a whole”. The author thus answers our question about whether ethnic diversity will enhance the organization if managed properly. He states, “The challenge for organizational leadership is to implement organizational strategies that exploit the unique capabilities of the diverse workforce” (Thomas, 2009, p30).

Conclusion

It is still somewhat inconclusive whether racial-ethnic diversity can have a definite positive or negative impact on organizational performance. However, from a social understanding standpoint, clearly it is a benefit to be able to recognize, tolerate and even celebrate other cultures. In many stated pro-diversity work climates, “majority-minority differences in absenteeism (a performance criterion) [are] smaller in organizations perceived to place greater value on diversity (McKay et al, 2008: 349-374). In other words, in environments where the minority cultures are valued among the majority culture, there are

fewer differences in performance results. It can be extracted then that in environments where minority cultures feel threatened, performance results vary more widely.

For companies where it would seem that multiculturalism is an asset, we need to remember that “diversity of itself does not necessarily bring benefit” (Richards and Busch, 2013). In order to capitalize on multiculturalism, Richard and Busch state that “the key to handling diversity [is] to understand the fault-lines within a group so that they could be understood and managed”. Thus, it is management’s responsibility to be aware of cultural differences and backgrounds, place value on all workers, be able to communicate expectations, and attempt to foster positive support among all the employees. For a diverse group to perform well, it must be well managed.

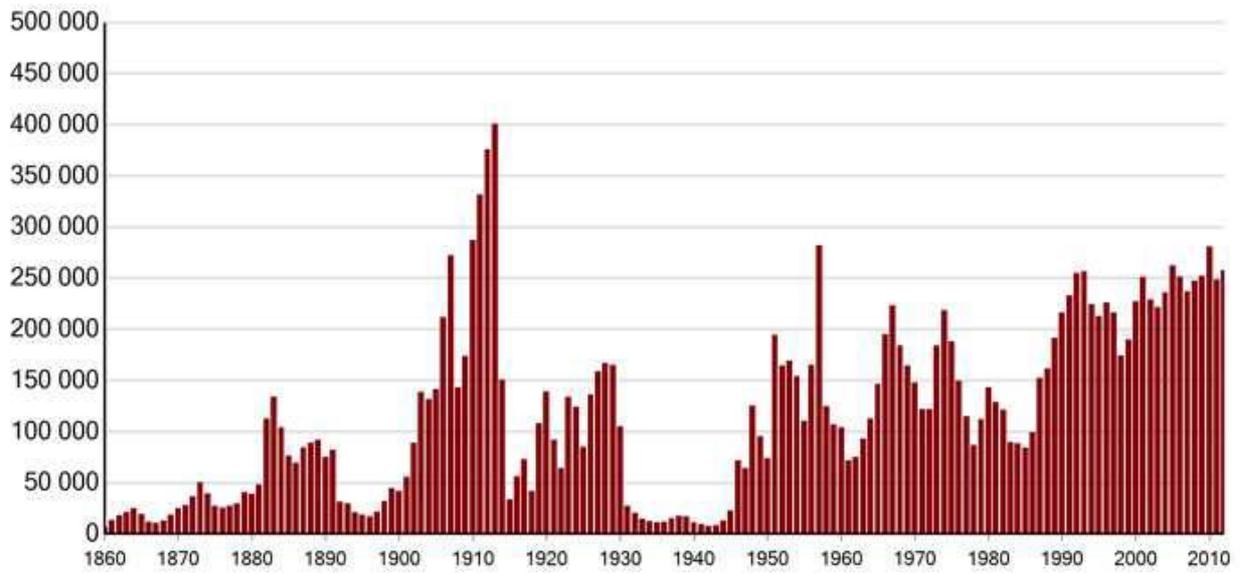
In order to manage a diverse group, existing stereotypes must be eradicated and communication channels must be improved. Human (1996) states that problems arise when “members of some groups tend to project themselves as superior [while] members of others may feel inferior or inadequate in intercultural encounters”. This error in perception may be the cause of status and power imbalances in the workplace, and consequently low performance for the disadvantaged group. Managing diversity, therefore, requires, “situational adaptability and communication skills which affirm the value of diverse people and which communicate positive expectancies. Such affirmation, in turn, can create the optimal conditions for effective co-operation and performance” (Human, 1996). When people feel appreciated and understood, a collaborative environment is created and better efficiency is possible.

Racial-ethnic diversity is certainly a factor to be handled critically in organizational settings. Performance results are based on individual motivation as well as positive collaboration between workers. Clearly, workers need to get along, and for a group to be effective, the goals of the organization need to align with the goals of the employees. One’s perception of other cultures comes from one’s own personal experience as well as one’s knowledge about the world. Various assessments of different cultural values

have been attempted in the last few decades to quantify cultural attributes, but these have their limitations. The importance of managing diverse groups comes to light when we consider the projected increase of immigration to Canada. As Canada approaches the quarter-21st century, more research needs to be conducted regarding diversity and performance, possibly with regards to second and third generation immigrants who can now firmly consider themselves part of the majority national group. Thus, it is important to be able to recognize and celebrate the diversity of the work environment. Whether this diversity becomes a competitive edge for international businesses or a corporate encumbrance to efficient advancement depends on the quality of understanding, tolerance and communication at the management level.

Appendix

Exhibit 2: Number of Permanent Residents Per Year in Canada



<http://www.cic.gc.ca/english/resources/statistics/facts2012/permanent/index.asp>
(sourced 15 September 2013)

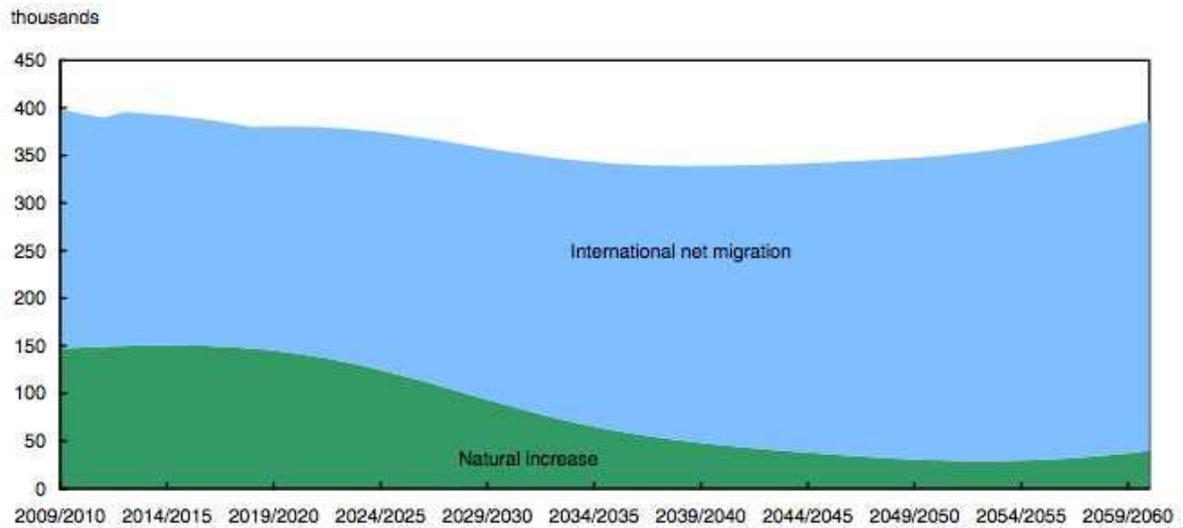
Exhibit 3: Percentage of Immigrants in the Canadian Population Per Year



<http://www.cic.gc.ca/english/resources/statistics/facts2012/permanent/index.asp>
(sourced 15 September 2013)

Exhibit 4: Demographic growth of the Canadian population projected according to the natural increase and international net migration (2009/2010 to 2060/2062) - Medium growth scenario (M1)

Demographic growth of the Canadian population projected according to the natural increase and international net migration — 2009/2010 to 2060/2061— Medium-growth scenario (M1)



Source(s): Statistics Canada, Demography Division.

<http://www.statcan.gc.ca/pub/91-520-x/91-520-x2010001-eng.pdf>

(sourced 15 September 2013)

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