



# Maytree Policy in Focus

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## Canada is failing to reap benefits of diversity in leadership

- Canada is one of the most diverse countries in the world. About 20% of the population was born outside the country, and 16% are visible minorities.
- Research suggests that visible minorities are underrepresented in leadership positions, across all sectors and across Canada. The problem may be particularly acute in the region of Toronto, which is also the most diverse region in Canada.
- Research on diversity in leadership has shown a link between diversity and increased social and economic prosperity.
- In the corporate sector, diversity on corporate boards results in a better return on investments and assets for shareholders.
- There are a number of strategies that organizations can take to diversify their leadership.
- *DiverseCity: The Greater Toronto Leadership Project* is a project of Maytree and the Toronto City Summit Alliance which seeks to address the underrepresentation of immigrants and visible minorities in leadership.

Featured Research

SUMMARY

### A Snapshot of Diversity in The Greater Toronto Area

by Wendy  
Cukier and  
Margaret  
Yap. The  
Diversity  
Institute,  
Ryerson  
University,  
2009.

This research analyzed a total of 3,257 leaders in a selected area of the GTA and found that 13% are visible minorities – compared with 49.5% of the general population.

The study also found that:

- The education sector is the most diverse, with college boards showing the best results at 27%.
- In all sectors except the corporate sector, boards are more diverse than senior executives.
- Only 10% of councillors are visible minorities in the five municipalities studied, compared with 23% of Members of Provincial Parliament.
- The corporate sector trails other sectors at both the board and executive levels.

The report includes recommendations for organizations to address this leadership deficit. These include making diversity a priority, setting targets (not quotas), and investing in staff to develop the “pipeline” for talent.

This *Maytree Policy in Focus* focuses on the corporate sector, but the full report also highlights findings and recommendations for government agencies and the elected, voluntary, public and education sectors.

## Diversity in leadership leads to social and economic prosperity

Canada is one of the most diverse countries in the world. About 20% of the population was born outside the country, and Canadians have more than 200 different ethnic ancestries.<sup>1</sup> While not all immigrants are visible minorities, as a result of immigration patterns, Canada has a growing visible minority population. In 1981, 1.1 million visible minorities accounted for 4.7% of the total population; by 2006, 5.1 million visible minorities were 16.2% of the population.<sup>2</sup>

In Canada's largest urban regions, the proportion of immigrants and visible minorities is much higher than the national average.

% of Immigrants and Visible Minorities in Selected CMAs, Census 2006				
	Calgary	Montreal	Vancouver	Toronto
Immigrants	23.6	20.6	39.6	45.7
Visible Minorities	22.2	16.5	41.7	42.9

This diversity is a competitive advantage for Canada. Researchers such as Richard Florida have suggested that the existence of a diverse population is one of a series of indicators which are correlated to a thriving knowledge-based economy.

In addition, The Conference Board of Canada has estimated that if the talents of immigrants were fully recognized and utilized in the Canadian economy, Canada would see \$3.4 and \$5.0 billion added to the Canadian economy every year.<sup>3</sup> Furthermore, it estimates that unrecognized credentials among visible minorities cost Canadians between \$2.4 and \$3.4 billion in annual income.<sup>4</sup>

## Does Canada's leadership reflect the diversity of the population?

Research on diversity in leadership suggests that visible minorities are underrepresented in leadership positions:

- In 2005, only 44% of corporate boards had a minimum of one visible minority director.
- In 2006, 7.8% of all Members of Parliament were visible minorities.
- In 2005, 7.8% of all Ontario Members of Provincial Parliament were visible minorities.

<sup>1</sup> Statistics Canada. 2003. *Canada's ethnocultural portrait: The changing mosaic*. Statistics Canada Catalogue no. 96F0030XIE2001008. Ottawa. January 2003. Analysis Series, 2001 Census.

<sup>2</sup> Statistics Canada. 2008. "2006 Census: Ethnic origin, visible minorities, place of work and mode of transportation." *The Daily*. April 2. Statistics Canada Catalogue no. 11-001-XIE.

<sup>3</sup> The Conference Board of Canada. *Performance and Potential 2004-2005: How Can Canada Prosper in Tomorrow's World?* Ottawa: The Conference Board of Canada, 2004, 132.

<sup>4</sup> The Conference Board of Canada. *The Value of Diverse Leadership*. Ottawa: The Conference Board of Canada, November 20, 2008, 2.

<sup>5</sup> The Conference Board of Canada. *Business Critical: Maximizing the Talents of Visible Minorities*. Ottawa, 2005. p.94.

<sup>6</sup> Quientta M. Robertson & Hyeon Jeong Park, "Examining the Link Between Diversity and Firm Performance: The Effects of Diversity Reputation and Leader Racial Diversity" (2007) 32:5 *Group & Organization Management*. As cited in Aaron A. Dhir. "Towards a Race and Gender-Conscious Conception of the Firm: Canadian Corporate Governance, Law and Diversity." CLPE Research Paper No. 01/2009. February 10, 2009, 26.

*A Snapshot of Diversity in the Greater Toronto Area* by Wendy Cukier and Margaret Yap at the Diversity Institute represents the first time that diversity in leadership is examined across sectors at the local level. In a selected region of the Greater Toronto Area where 49.5% of the population are visible minorities, only 13% of 3,257 leaders from this same area are visible minorities.

**“How successfully Canada continues to manage the challenges of diversity will have an important bearing on the social and economic success of Canada, the quality of our communities and the success of our corporations” Royal Bank of Canada, *The Diversity Advantage: A Case for Canada’s 21<sup>st</sup> Century Economy*, 2005.**

### **Why is diversity in leadership important?**

Leaders play a pivotal role within organizations and in the broader community. Diverse leaders bring added benefits and unique capacities that, when realized, add significant value in both the public and private realm.

A scan of the literature conducted by Ryerson University’s Diversity Institute found that:

- diverse leadership in the political arena signals that all citizens have access to power and opportunities;
- diverse leadership in the public service, including on public agencies, ensures a broader range of perspectives is used to help shape policy-making and set the policy agenda;
- diverse leadership in the voluntary sector, in management and on boards enables an organization to be more responsive to its stakeholders, and it has a direct and positive effect on its fundraising activities;
- diverse leadership in the education sector inspires excellence among the next generation of leaders; and;
- diverse leadership in the corporate sector is directly correlated to the bottom line.

### **How does diversity in leadership effect the bottom line in the corporate sector?**

In 2001, the disposable income of employed working-age visible minorities in Canada was estimated at \$78 billion.<sup>5</sup>

According to research undertaken by The Conference Board of Canada, diverse management teams are better able to tap into this market by representing diverse interests and developing new international links. In addition, diverse management teams are much more likely to challenge the status quo, and come up with new solutions and new products. The result of this is that diversity on corporate boards leads to a better return on investments and assets for shareholders.

A recent study of a sample of Fortune 1,000 firms and large American private companies found that a critical mass of racial diversity among corporate leaders was positively correlated to revenues, net income and book-to-market equity.<sup>6</sup>

## A SNAPSHOT OF DIVERSITY IN THE GREATER TORONTO AREA

WENDY CUKIER AND MARGARET YAP

THE DIVERSITY INSTITUTE, RYERSON UNIVERSITY, 2009

*DiverseCity Counts* is a three-year research project conducted by Ryerson University's Diversity Institute to study diversity in leadership in the Greater Toronto Area (GTA). This report presents the results of the first year of the study.

The research focused on the municipalities with the highest proportions of visible minorities: Toronto, Mississauga, Brampton, Markham and Richmond Hill. Together they account for just under 4 million people or 72.5% of the GTA's population, of which 49.5% are visible minorities.

The research analyzed a total of 3,257 leaders in the GTA including elected officials, public sector executives, members of agencies, boards and commissions, as well as a sample of the largest voluntary and business organizations as determined by revenue.

Just 13% of 3,257 leaders they analyzed were visible minorities. The education sector was the most diverse, and the corporate sector trailed all other sectors.<sup>7</sup>

Visible Minority Representation in the Corporate Sector		
	Sector Total Analyzed	% Visible Minority
Boards of Directors	472	3
Senior Executives	521	5
<i>Corporate Sector Average</i>	<i>948</i>	<i>4</i>
<b>ALL Sectors Average</b>	<b>3,257</b>	<b>13</b>

It was beyond the scope of the research to identify the reasons for this underrepresentation in the corporate sector. However, the researchers hypothesize that other sectors are more diverse because they draw talent from one another. While successful business people often move to the boards of agencies, educational institutions and non-profit organizations, few people move into the corporate sector from the other sectors.

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<sup>7</sup> Previous research supports this tentative conclusion. Dhir (2009), for example, suggests that systemic barriers exist to corporate sector boards because of what he terms "the pool problem."

They suggest that corporate boards could become more diverse by:

- increasing transparency by forecasting future board openings year-by-year over a five-year period;
- reviewing board skill requirements and competencies to identify gaps which might be filled with diverse candidates;
- creating diversity goals and tasking the nominating committee, which is also ideally comprised of diverse members, with providing a list of diverse candidates to address board openings (this could be done with the help of an external search firm);
- conducting outreach to leaders of large ethno-cultural organizations, as well as those in government and non-profit organizations;
- promoting an inclusive board culture and having an engagement plan to ensure new members are supported and retained (this could include team building, mentoring, coaching, and diversity training); and
- communicating the business case for diversity and publicizing new appointments from diverse communities.

To diversify the executive of the corporate sector, the authors suggest that organizations develop a long-term approach to staff development. Organizations should:

- collect information on their workforce (as most federal-regulated companies do);
- set targets (not quotas) and monitor and communicate results within the organization and in the broader community;
- develop a diversity business plan to address major areas such as workforce diversity, training, affinity groups, supplier diversity, and diversity policy; and
- make diversity a strategic priority in all business endeavors and communicate the business case to all staff.

*Wendy Cukier and Margaret Yap, the report authors and experts on corporate sector diversity issues, will be hosting a webinar to explore these and other ideas for diversifying the leadership of the corporate sector. To join this discussion, please email: [policyinfocus@maytree.com](mailto:policyinfocus@maytree.com).*

## **DiverseCity: The Greater Toronto Leadership Project**

The lack of diversity in leadership that is evident in Canada and in the GTA is a missed opportunity. A country as diverse as Canada has the potential to reap social and economic benefits from diversity.

*DiverseCity: The Greater Toronto Leadership Project* is a project that seeks to address the underrepresentation of visible minorities and immigrants in the leadership of the GTA. The project consists of eight initiatives which seek to strengthen institutions, expand networks, advance knowledge on diversity in leadership, and track the region's progress.

**DiverseCity onBoard** matches highly qualified candidates from racially and ethnically diverse communities with governance positions in agencies, boards, commissions and nonprofit organizations across the GTA.

**DiverseCity School4Civics** is a nine-month training and mentoring program that equips leaders to run for elected office or manage campaigns.

**DiverseCity Voices** is an online rolodex of diverse voices connecting qualified speakers and the media in an effort to enrich the content of our newspapers, magazines, radio and television.

**DiverseCity Nexus** is a salon-style speakers' series designed to bridge leadership connections between established and rising corporate leaders.

**DiverseCity Fellows** catalyzes the next generation of city builders through seminars, networking and action-based projects.

**DiverseCity Advantage** builds the body of knowledge on the economic and social benefits of diversity in leadership.

**DiverseCity Perspectives** delivers facilitated dialogues exploring what diversity means to us and how we can take full advantage of everything it has to offer.

**DiverseCity Counts** is an annual report on the GTA's progress toward building a more diverse leadership. It is produced by Ryerson University's Diversity Institute. This Maytree Policy in Focus includes highlights from the inaugural report.

*This project is being led by Maytree and Toronto City Summit Alliance with funding from the Government of Ontario.*

[www.diversecitytoronto.ca](http://www.diversecitytoronto.ca)

## Selected bibliography

**Aaron A. Dhir. "Towards a Race and Gender-Conscious Conception of the Firm: Canadian Corporate Governance, Law and Diversity." February 10, 2009. CLPE Research Paper No. 01/2009.**

This report highlights the underrepresentation of women and visible minorities on the boards of Canadian firms, describes the reasons this may be, and suggests some practical ways to overcome board homogeneity. Recommendations include changes to director nomination processes, shareholder proposals and existing corporate governance principles.

**Margaret Yap. *Career Advancement in Corporate Canada: A Focus on Visible Minorities*. Catalyst and the Diversity Institute, Ryerson University, 2007.**

This survey of visible minorities working in Canadian corporations found that some visible minorities feel pressure to conform to "a Canadian identity" and feel that stereotypes of their ethnic background limit their career advancement. Visible minority workers were more likely than other workers to report that "who you know" is more important than "what you know."

For links to these and other reports on diversity in leadership, visit the Knowledge Centre of DiverseCity: The Greater Toronto Leadership Project:

<http://www.diversecitytoronto.ca/knowledge>



## About Maytree Policy in Focus

*Maytree Policy in Focus*, a publication of Maytree, identifies and shares practical research to help inform policy- and decision-making.

For more information, visit [www.maytree.com/policyinfocus](http://www.maytree.com/policyinfocus).

Please send questions or comments to [policyinfocus@maytree.com](mailto:policyinfocus@maytree.com).

## Maytree. For Leaders. For Change.

Established in 1982, Maytree is a private foundation that promotes equity and prosperity through its policy insights, grants and programs. The foundation has gained international recognition for its expertise in developing, testing and implementing programs and policy solutions related to immigration, integration and diversity in the workplace, in the boardroom and in public office.

