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CULTURAL DIVERSITY AND INNOVATION IN A CONTEXT OF UNPREDICTABLE CHANGE

The role of HR in unleashing and shaping the untapped future potential of a multicultural workforce

By David Trickey, Partner - TCO International

“Future possibilities are rushing towards us and what they become depends on how we relate to them”

*Carlo Rovelli – theoretical physicist and bestselling author of *The Order of Time**

This chapter explores four key questions:

1. What are the stages of development that organizations need to go through to maximize the potential of its diverse workforce?
2. How can cultural diversity¹ contribute to innovation?
3. How can we measure an organization’s potential to take full advantage of its cultural diversity to thrive in unknown (and unknowable) futures, maintaining its long-term viability?
4. How can HR elevate cultural diversity to a key strategic factor in supporting an organization’s need for increased innovation while also adapting to unpredictable change?

We outline four challenges that HR faces today in addressing these questions:

1. Most organizations fall short in the stage of intercultural development they aim for and, therefore, underutilize – and even undermine - the potential of cultural diversity. How can HR raise the ambition for the role of cultural diversity in supporting a thriving organization able to reinvent itself when needed?
2. While the case for linking higher levels of innovation to increased levels of cultural diversity is widely accepted these days, there is little focus on the quality of the relationships between diverse people as the major success factor. How can HR shift from aggregates of individual competence in isolation to measuring the dynamic

¹ With the terms “culture” and “cultural difference” and “cultural diversity” we refer to the various forms of typical behavior maintained by people in groups (national, ethnic, gender, generational, organizational, etc).

relationships between individuals as the key indicator of the organization’s potential for permanent renewal in turbulent times?

3. When the future is unknown and unknowable, HR still relies on people metrics that look at past performance to predict future readiness. When leadership needs to focus on the future, this is like navigating using the rear-view mirror. How can HR measure the future probability that the relationships across its diverse workforce will be supportive of innovation and adaptation to unpredictable change?
4. The focus on developing intercultural competence in organizations has been predominantly tactical and small scale. How can HR develop *intercultural viability* at an organizational level by finding more strategic and scalable approaches within limited budgets?

How the experience of cultural diversity changes *en route* to becoming truly global

To understand what cultural diversity is about in an organizational context, let’s explore the stages that we go through as individuals, and collectively as organizations, as we develop an increasingly sophisticated and nuanced experience of culturally different others. To do this we will refer to the *Developmental Model of Intercultural Sensitivity* (see Fig 1), a reliable and validated framework devised by Dr. Milton Bennett over the last 30 years. The DMIS is firmly grounded in theory, based on observations about how people become more competent in dealing with cultural differences. Using concepts from constructivist psychology and communication theory, Bennett structured these observations into 6 stages along a continuum of increasing sensitivity to cultural difference.

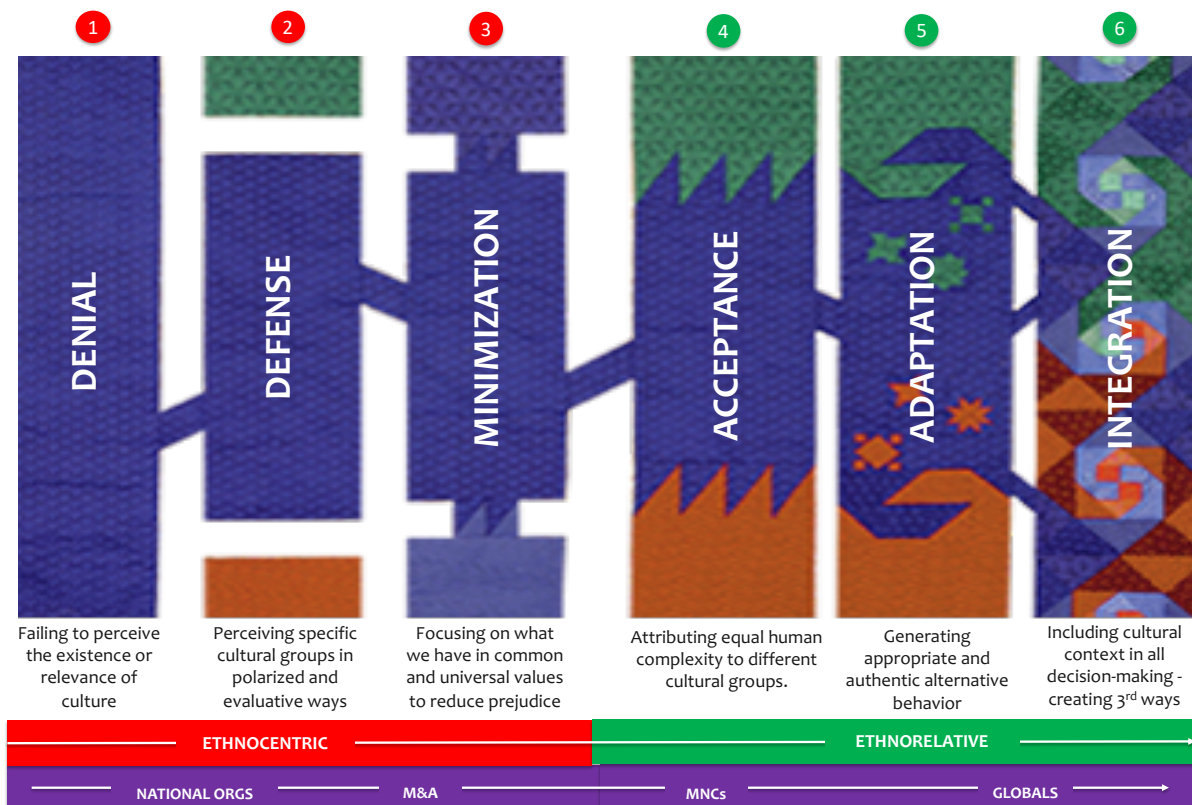


Fig. 1 The Developmental Model of Intercultural Sensitivity (DMIS) ©Milton J. Bennet

The model is divided into two phases – ethnocentric and an ethnorelative. In the ethnocentric phase of development, our cultural group is “central to reality” (my way is THE way); the ethnorelative phase allows people to shift across worldviews, seeing their own cultural perspective as one among other valid alternatives (my way is ONE way). Drilling down into the 6 stages, we can predict what people may be saying that reveals their present experience of cultural difference. The example below could, for example, relate to the context of a merger (see Table 1.).

STAGE ON THE DMIS	WHAT PEOPLE MIGHT SAY
Denial	<i>“What differences? Engineers are engineers the world over...we understand each other”</i>
Defense	<i>“I wish they would just do things the right way – we’ve got plenty to teach these people”</i>
Minimization	<i>“The key to getting on with them is just to be yourself, authentic and honest – sure some systems differ, but when you scratch the surface, they are just like us – and if people are honest some values are universal”</i>
Acceptance	<i>“The more differences the better – more differences equal more creative ideas – good and bad practice only exists in a cultural context”</i>
Adaptation	<i>“To deal with our differences I’ll have to change my approach – I know they are trying hard to adapt to us and our approach, it’s only fair that we meet them halfway”</i>
Integration	<i>“Whatever the situation I can usually look at it from a variety of cultural perspectives. Sometimes I feel at my most valuable when I’m mediating between different cultural groups, especially when they can’t see the potential value of each other’s perspective”</i>

Fig. 2.

As suggested in Fig 2, with a low requirement to integrate, nationally oriented organizations tend to operate between *Denial* and *Defense* when experiencing cultural ‘otherness’. In a merger or acquisition the emerging ‘them and us’ polarization tempts most leaders into minimizing the differences to circumvent the ‘problem’ of cultural diversity.

The author has been personally present in an international joint venture kick-off event where top leadership announced to the entire organization that people from his own cultural group loved the food in the JV partner’s country and that he has heard that the partner respects the footballing talents of his own country’s national team!

The Golden Rule of treating others as we would like to be treated contains the insidious assumption of similarity; other people are like me, so what is good for me must be good for them. The risk behind such projected similarity, as an aspiration, is that it kills the potential benefits of cultural diversity. It sits firmly in the *Minimization* stage which is still ethnocentric (my way of doing things is the way of doing things – or at least the right way of doing things among others on offer). *Minimization* is insidious in that the dominant culture uses the implicit compass of its own beliefs to set the direction of universal truth to which others outside this group are expected to adhere. In plain words, we are all the same, but we need to be the same in the way we (the headquarters, the most powerful country, the acquirer, the 51% partner) define it.

In the development stages, *Minimization* is a positive rite of passage on the road to more productive ethnorelative behavior, but it is a bad place to stop. HR should set itself the goal of moving people in the organization - at scale - across a threshold to ethnorelativism, with *Acceptance* that others are as equally complex as we are, but in a very different (sometimes opposite) way. The alternative Platinum Rule² of treating others as they would like to be treated, provides us with that mindful window between stimulus and response and sits clearly within the ethnorelative side of the DMIS. It presumes difference and the need for (mutual) *Adaptation* to different worldviews, and that requires conscious effort.

As people learn how to adapt to other ways of experiencing the world differently, we become more practiced in moving in and out of different worldviews. With effort we can also enter that worldview and extend our boundaries to experience that 'otherness' by imagining what it feels like to take on what is essentially an 'alien' perspective. Ultimately, we can act as a mediator to integrate their way with my way, while maintaining our ethical principles not out of ignorance (*Denial*), fear (*Defense*) or ethnocentric absolutes (*Minimization*), but out of a commitment to choices from the many available in any given context (*Integration*).

The ethnorelative stages of intercultural development would allow organizations to do what they need most in a post-pandemic hybrid workplace – to innovate, continuously reinvent themselves and create the kind of inclusive (virtual) environment where members of a heterogeneous workforce can feel that their worldview is valued.

The link between cultural diversity and innovation

It has become almost unnecessary to put forward the business case for cultural diversity these days, especially where it is linked to higher levels of innovation. It is, by now, a given.

Typical of these is the Boston Consulting Group Study of 2017 where they concluded that companies with above average diversity in their management teams have 19% higher revenues due to innovation. There are hundreds of these surveys and reports available on the internet and a similar number of initiatives to increase workforce diversity.

However, here we are less concerned with the statistical make-up of cultural diversity in the organization and more interested in the key factor that generates the innovation value from cultural diversity, namely, the quality of the relationships between people in a diverse workforce.

For example, research³ has shown that compared to mono-cultural groups, culturally diverse groups can either significantly increase or decrease effective outcomes when focused on tasks requiring innovative approaches. The potential value from a multicultural team only emerges when team leaders acknowledge and support team diversity as a valuable asset. Leaders who either ignore or suppress diversity as a 'problem' to create 'alignment' through *Minimization* are the main contributing factor in teams with low

² Bennett, M. (1979). Overcoming the Golden Rule: Sympathy and empathy. In D. Nimmo (Ed.), *Communication Yearbook 3*. International Communication Association. New Brunswick, NJ: Transaction Publishers. p406-422), reprinted in Bennett, M (2013). *Basic concepts of intercultural communication: Paradigms, principles & practices*. Boston: Intercultural Press.

³ Research by Dr Carol Kovach at the Graduate School of Management, UCLA

innovation performance. This research suggests that organizations with a higher incidence of ethnorelative behavior in their relationships across a diverse workforce, especially in people management roles, will favor the conditions for innovative thinking.

Hampden-Turner's work⁴ over the last 30 years on reconciling dilemmas in values across cultures, and more recently Heracleous⁵ with his Janus Strategy, have focused on how organizations can only become viable if people can work through and integrate opposites in tension, such as structure and flexibility, quality and speed, planning for change or reacting quickly to change. Organizations that bring together members from a wider range of cultural backgrounds are more likely to find ways to reconcile the business dilemmas they face, but only if they have the capacity to relate to each other in more ethnorelative ways.

While the way cultural diversity is dealt with across the multiple relationships and day-to-day interactions within organizations will be a key predictor of a company's innovation potential, intercultural competence also represents a way to prepare for unknown conditions. This aspect of organizational intercultural competence⁶ or, as we define it, Intercultural ViabilityTM, brings with it additional business-critical advantages, including:

- ✓ organization-wide agility in responding to unpredictable changes in the external environment
- ✓ the entrepreneurship⁷ that comes from an increased ability to navigate across changing contexts
- ✓ fast execution of projects on a global scale through trust-based collaboration – even at a distance.

Milton Bennett⁸ (2019) builds the business case for focusing on cultural diversity as a key contributor to overall organizational viability in a fast-changing global business context. He shows how the capacity to move between cultural perspectives readies us to shift across changing contexts with the aim of reconciling dilemmas intrinsic to ethnorelativism: how to establish both security and adjustment to change, how to combine 'my way' with 'your way' and how to make unity and diversity interactive, rather than mutually exclusive.

A relatively high level of Intercultural Viability shows the probability of the organization being able to generate *Global Agility*⁹, becoming anti-fragile¹⁰ in a context of turbulence where new dilemmas are being thrown up constantly, for example, how to feel close to

⁴ Hampden-Turner, C (1990) Charting the corporate mind: from dilemma to strategy, Oxford: Basil Blackwell

⁵ Heracleous, L (2020) Janus Strategy, KDP

⁶ We define 'competence' at an organizational level as the coordination of probability that certain desired behaviors will occur; in this case, *organizational intercultural competence* is the likelihood an organization will coordinate the probability of its members in adapting to changing social conditions.

⁷ Concept of Contextual Intelligence in Mayo, A & Nohria N, (2005) In Their Time: the Greatest Business Leaders of the 20th century. Harvard Business Review Press

⁸ Bennett, M. (2019). Enhancing organizational performance in fast-changing global contexts (in English). Sviluppo & Organizzazione (Development and Organizations), n.289, Sept/Oct 2019, ESTE (European Scientific and Technical Publications). Milan.

⁹ In TCO we define Global AgilityTM as the individual or collective capacity to think by reflecting, finding emotional balance and showing flexible judgement, act consciously across a range of considered choices, understanding the potential consequences and balancing decisiveness with inclusion, and create value consistently with others based on reciprocal trust, mutual adaptation and collaborative innovation in an interconnected but unpredictable world.

¹⁰ Here we refer to the term used by Nassim Nicholas Taleb in his book Anti-Fragile: Things that Gain from Disorder. (2012) Random House. Antifragility is fundamentally different from the concepts of resiliency (the ability to recover from failure) and robustness (the ability to resist failure). Anti-fragility is the ability to become stronger as a result of shocks.

colleagues who you never meet face-to-face or how to be emotionally present when you are physically absent.

To some extent, even the quest for *employee engagement* depends on the degree to which minority groups within your multicultural workforce perceive they belong to an evolving organization. Do people here constantly encourage the integration of different, valid approaches, or do they lock themselves into the belief that we should treat others as we ourselves want to be treated – where, as we have mentioned, such treatment often reflects the *status quo* in the Head Office.

In dealing with the dynamics of changing social contexts, many organizations are making claims for successfully turning their access to cultural diversity into an asset. A search on Google for ‘we value diversity’ reveals over 3.5 million results. If we refine it to ‘we value cultural diversity’ we get over 230,000 results. However, there has been no practical scientific way of verifying these claims. Even if we estimate that only 10% of these results refer to assertions from specific organizations, that’s 23,000 organizations making unsubstantiated statements.

At present HR leaders in organizations cannot access strategically important insights into how they are shaping up to survive and thrive in a context of unpredictable change within their operating context. How can HR focus on building an organizational culture which intentionally coordinates itself to maximize the probability of intercultural effectiveness – along with all the benefits mentioned above - without a way to measure this capacity?

This leads us to dealing with the next question: ‘How can we measure and increase the probability of that our organization can benefit from its cultural synergy potential and adapt to changing social conditions in effective ways?’

Developing *Intercultural Viability* to face unknown futures – an innovative way to measure the potential for synergistic diversity across the organization

While there are many instruments to evaluate individual intercultural competence, there are none, to our knowledge, that measure intercultural competence at an organizational level. We all know the mantra that the whole (organization) is more (or less) than the sum of the parts. Therefore, a process of aggregating individual behavior does not give a good indication of the intercultural competence of a group. As mentioned previously, it is how people relate to each other in a context of cultural diversity which has the potential to generate collective innovation and value through the integration of diverse perspectives.

As organizations increasingly look towards data analytics to help them make informed people-related business decisions in times of change¹¹, three years ago, Dr. Milton Bennett and the author, David Trickey, combined their intercultural development experience to create a new tool to support HR¹². The aim was to provide data-driven insight, compared to

¹¹ McKinsey report April 2019: *Why you should apply analytics to your people strategy and The New Analytics of Culture* by Matthew Corritore, Amir Goldberg and Sameer B. Srivastava, Harvard Business Review, Jan-Feb 2020

¹² For a detailed explanation of the instrument and its development, components and its underlying methodology read: Bennett, M (2021) – *The Intercultural Viability Indicator: Assessing the Intercultural Competence of Organizations: Journal of Intercultural Communication & Interaction Research*

a reliable baseline, into the probability that their organization would be able to maximize the potential of intercultural collaboration across its diverse and distributed workforce. How could we support (or refute) claims that an organization was ‘valuing cultural diversity’ and reveal how relatively well organizations are doing in creating a climate of respect for diversity that would serve them in unknown and unknowable futures?

A key role of HR leadership is to maintain the long-term sustainability of their organization through the organization’s greatest asset – its people. However, while HR make predictions to prepare people for the future, there is a very high probability that these predictions will be wrong, since organizations are experiencing an inherently unpredictable and exponential rate of change. When we face unknown and unknowable futures, neither attempts to place bets on possible future scenarios nor calls to ‘stay flexible’ provide reliable guidance.

To complicate matters, most discussions of exponential change focus on technology and ignore equally fast-changing social relations. For instance, internet-based media have generated surprising amounts of social change, globalization has ignited class and race conflict, geopolitical shifts have opened up new trading and supply chain relationships and closed down others, increasing M&A activity creates shifting configurations of diverse people and the Covid-19 pandemic has unexpectedly caused massive changes in work habits.

Today, when uncertainty and unpredictable change is so systemic¹³, organizations need to focus on probability. When data analytics focus on the past or present as predictors of future performance, they are unreliable in the face of systemic change. Therefore, it makes sense to shift towards measuring the likelihood that your organizational culture can support you in the face of continuous turbulence and multiple possible futures, rather than any restabilized ‘new normal’.

You can think about probability in organizations as a kind of self-fulfilling prophecy¹⁴. In coordinated systems, the expectations that people have about someone’s behavior is related to whether the behavior will or will not actually occur. Intercultural viability is that kind of self-fulfilling prophecy – the potential of actual adaptation is dependent on people looking for certain kinds of behavior in the organization - where the act of looking makes the behavior more likely!

Self-fulfilling prophecies are large-scale instances of measurement effects in physics. In other words, the actuality of a thing is related to how it has been observed. While there are various controversies in physics regarding this idea, we can nevertheless use it metaphorically in the following way: *the viability of an organizational system is its capacity for continuously observing itself in ways that generate actual adaptive conditions.*

Using a breakthrough measurement strategy derived from quantum physics and Bennett’s globally recognized developmental model, the Intercultural Viability Indicator (IVI) assesses

¹³ Systemic uncertainty refers to the risk of a breakdown of an entire system rather than simply the failure of individual parts. It captures the risk of a cascading failure caused by interconnections within the system.

¹⁴ Watzlawick, P. (1984). Self-fulfilling prophecies. In P. Watzlawick (Ed) *The invented reality: How do we know what we believe we know?* Contributions to constructivism, p 95-116. New York: Norton

the relative probability of future intercultural competence in an organization. The IVI does this by focusing on the perceptual relationship between individuals (how I see myself) and group behavior (how I see others). The quality of that relationship indicates the group's Intercultural Viability.

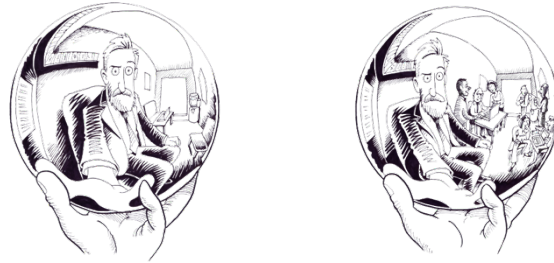


Fig 2. The IVI captures the dependent relationship between how I see my own intercultural development and how I perceive the intercultural behavior of others using Bennett's 6-stage DMIS model.

The IVI¹⁵ is an anonymous web-based questionnaire with a demographic section, an initial single self-assessment section and eight other assessment sections. These sections ask respondents to state the extent to which they notice around them in the organization certain behaviors in typical business contexts, e.g. virtual meetings, social encounters, written communication etc. The different behavioral options offered in each section relate directly to Bennett's 6-stage DMIS (Developmental Model of Intercultural Sensitivity)¹⁶.

The IVI is not meant to be a description of either individuals or organizations; rather, it a description of the probability that an organization will be able to adapt to changing social conditions in a multicultural environment. So Intercultural Viability cannot be determined by any direct measurement, since such a measurement would only describe the current condition and not the probability that another condition could be generated when needed.

The Intercultural Viability Indicator provides a single report for HR and top leadership with results and a debriefing process to explore responses to the following questions:

- **OVERALL INTERCULTURAL VIABILITY SCORE (IVS).** What is our organization's overall level of Intercultural Viability – how probable is it that we have a general capacity to adapt to our changing multicultural environment in the future, compared to other organizations?
- **CONTEXTUAL VIABILITY SCORE (CVS).** In each of 8 specific business contexts, such as virtual meetings, social interaction and written communication, how does our Intercultural Viability compare to other organizations?
- **GROUP DEVELOPMENT SCALE (GDS)** How, on average, do respondents perceive the intercultural behavior of others around them in the organization across 8 typical business contexts?

¹⁵ For an overview of the instrument go to www.interculturalviability.com

¹⁶ For details on Bennett's DMIS go to the IDRI website (www.idrinstitute.org/dmis/) or Read Bennet, M. (2017) Developmental Model of Intercultural Sensitivity. In Kim, Y (Ed) International encyclopedia of intercultural communication. Wiley.

- INDIVIDUAL DEVELOPMENT SCALE (IDS) How do individual respondents on average see their own intercultural stage of development compared to respondents in other organizations?
- SEGMENTING INTERCULTURAL VIABILITY. Do any specific segments of the organization reveal significant differences in Intercultural Viability? How do management and non-management or different functional families compare within the organization?
- TARGETING INTERVENTION. How can we identify specific interventions to increase the likelihood that we can collectively flourish, especially where our cultural diversity can become a significant contributor to dealing with unpredictable change and fostering innovation?

The Global CPO combines Chief People Officer with Chief Probability Officer

When there are no positivist certainties these days, one of the strategic roles of any Chief People Officer (CPO) should be on increasing the likelihood of leveraging the full potential of their diverse workforce, incorporating a secondary CPO role: the Chief Probability Officer. By looking at the group level of analysis and exploring metrics that reveal how the way I perceive my own behavior affects the way I see yours, HR can see the bigger picture needed by leadership to face unknown futures and innovate.

Below is one practical example taken from an M&A context of how such an instrument can be used to boost the probability of thriving in unknown futures.

Let us take the typical case of a merger that has been agreed on, but the phase of operational integration between the two companies has not been initiated yet. At such an early stage, few individuals will have experienced collaborating across the organizational cultures in new people configurations, mixed teams and reporting lines – probably much less than 5% of the workforce, and probably coming from the senior levels of both organizations. The most significant proportion across the two organizations will, over a period of months have a sudden and exponential need to deal with ‘otherness’ - people who don’t necessarily think like me or do things my way. Being unable to know precisely how cultural diversity will impact on the merger’s performance during the integration stage, all that can be done up to now is to guess at how the relationships could be affected by diverse ways of doing and thinking and take remedial action if cultural diversity is perceived to be a ‘problem’ (perhaps by shifting into a Minimization stage by ‘rolling out’ common values across both organizations).

By using the IVI across both organizations and cutting the data to look at company of origin, age, function and level of seniority they will be able to predict the future potential of the merging organizations to create value out of their diversity. After all, this synergy potential will be the goose that lays the golden eggs within a merger. As it is too late to undo experiences of cross-company diversity during the integration stage, by working with future probabilities revealed by the IVI data, HR can avoid playing catch up through a curative approach and instead take preventative measures.

This could include identifying and developing ‘bridge-building activists’ from segments of each organization who show higher levels of intercultural viability. Rather than sending out a tsunami of workshops across the entire organization to sensitize everyone to an undefined extent of cultural diversity they may encounter in the months ahead, the integration committee can invest in this smaller group, primed to act as both models of integration behavior and activists for more ethnorelative behavior within their own social networks.¹⁷

Conclusion

To create the conditions for cultural diversity to act as a strategic accelerator of adaptation to changing conditions, innovative responses, entrepreneurial spirit and generative collaboration across distance and diversity, HR needs to understand the factors affecting their organization’s Intercultural Viability.

In guiding strategic decisions, the *Intercultural Viability Indicator* is one example of how HR can take a new direction, away from the guesswork of betting on unknowable future scenarios towards increasing the probability of thriving through innovation in any future conditions the organization faces.

Returning to the Carlo Rovelli quote which opened this chapter: ‘the possibilities of the future are rushing toward us, what they actually become depends on how we relate to them’...and how we relate to each other. This chapter has discussed one approach HR can take to tap into and shape these future possibilities through the mapping and development of large-scale potential synergies across cultural diversity.

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For over 30 years David has been a facilitator, consultant and organizational architect for over 100 multinational organizations, specializing in turning cultural diversity into a source of value creation and innovation. Co-author of *Managing Challenges across Cultures: a multicultural project team toolbox* (McGraw-Hill, 2015) he is also co-developer of the *Team Trust Indicator*, the *Influencing Agility Indicator* and the *Global Agility Questionnaire*. His pioneering collaboration with one of the world’s leading intercultural thinkers, Dr. Milton Bennett, resulted in the *Intercultural Viability Indicator* – the first instrument to measure the intercultural synergy potential in organizations.

¹⁷ In his approach to large scale behavioral change called Viral Change™ Dr Leandro Herrero has pioneered the creation of social movements in organizations relying on leadership support for highly connected and informally influential people to adopt and lead the change initiative with a mission to disseminate a set of simple, observable behaviors within their peer networks. See Leandro Herrero, *Viral Change* 2nd edition (meetingminds) 2008 and Leandro Herrero, *Homo Imitans* (meetingminds) 2011