



**Diversity and Inclusion:
*The Path to Achieving Our Full Potential***

Remarks by:

**Gordon M. Nixon
President & Chief Executive Officer
Royal Bank of Canada**

at:

Burlington Economic Development Corporation

September 22, 2011

Check Against Delivery

Diversity and Inclusion: *The Path to Achieving Our Full Potential*

Join Gord as he shares insights on why diversity matters, the success behind RBC's activities, how diversity can help spur growth and innovation and the business imperative that all Canadian companies should embrace to succeed in today's fast paced, ever evolving international economy.

Good afternoon. It's a real pleasure to be here and to share with you my thoughts on Diversity and Inclusion and the contribution it can make to the growth of our businesses, our cities and our nation. To set the context, let me say a few words about RBC, although many of you are familiar with us. We have five business segments – Canadian Banking, Wealth Management, Insurance, International Banking and Capital Markets. We have approximately 18 million clients and 77,000 employees in over 50 countries. Our Canadian workforce is approximately 55,000.

We have been in business for a long time, and over the past couple of decades our business mix has diversified significantly and this strategy of diversified businesses is one of our competitive advantages.

I'm delighted to be in Burlington. I know your city is recognized as one of Canada's most dynamic and that you have been ranked as the best city to live in the Greater Toronto Area and the third best city in Canada. I also applaud the strong spirit of collaboration between local companies and the city that has helped to achieve those results and improve Burlington's long-term economic prosperity.

In fact, your speaker series is very aptly titled: Connect, Collaborate, Create and there are some obvious parallels between my topic today. In many ways, diversity is all about connecting – and inclusion is all about collaborating across those connections. As for the create part – that's all about innovation and driving growth as a result.

I am a firm believer in the power of cities to be engines of economic growth in this country. Research has shown that there is not one homogenous “national” or “global” economy as we often think of it – but rather a common market of local economies, including urban economies – and that strengthening these local economies is what will drive the overall economic success of our country.

But, the process of economic development is not simple. It's complex and multi-dimensional, and highly dependent on innovative thinkers. It requires individuals who care not only about what this region is today but what it could be tomorrow. It requires long-term vision and planning and it needs leaders from all areas of the community – business, labour, academia, social services, NGO's and government – leaders who live here, work here and build their businesses here, and people who can actively participate in formulating a shared vision. It requires a multi-stakeholder approach like the one you have adopted here in Burlington.

1 in 6 Canadians live in this vast region around Toronto and it is our country's most important and our flagship in so many areas – and Burlington is an important part of that success.

This region – and Burlington – is also a model of diversity, inclusion and integration. This has been an unparalleled success in our region. It has brought vitality, culture and economic growth and RBC has benefitted from all of that.

Diversity and inclusion is something we want to get right. I say this from my perspective as CEO of RBC, certainly, but also from the perspective of a resident of southern Ontario, a community member, a taxpayer and a participant in many of the cultural and charitable activities that take place in this region.

And so while my interests and experiences extend right across the social, economic and political fabric of this region, today I'd like to talk about why diversity matters, its central role in driving productivity, innovation and growth, and how embedding diversity in what we do at RBC is helping us achieve our potential as a company, with our clients and in our communities. And how it is helping our employees achieve their full career potential.

WHY DIVERSITY MATTERS

I am often asked: Why does diversity matter to business and to RBC? Simply put, it makes good business sense. It's the smart thing to do.

Why do I say that? First, talent comes in both genders and from diverse backgrounds. Attracting, developing and retaining the best talent is essential to the success of any business.

Reflecting the clients we serve is also a business imperative. Let me start with newcomers. As you know, the demographics in this country are changing and Statistics Canada projects more change will come.

Our diverse population is both a unique strength for this region and a critical component of our economic success. The growth in visible minorities and new immigrants is dramatic; especially in our large cities. For the Greater Toronto Region, visible minorities are projected to be 63% by the year 2031. With baby boomers retiring, our workforce is shrinking. Immigration can offset this, but our success depends on attracting *skilled* immigrants and ensuring they find work that utilizes their expertise, education and experience. We know it's the right thing to do, but we're also clear on the business potential.

That's why some newly released numbers are troubling when it comes to relying on immigration to fuel growth. While our region is the number one destination for immigrants settling in Canada, we have seen a 17% (17,000 people) decrease in the number of immigrants it receives over the last decade due to increased attractiveness of other Canadian regions.

We surpass most city regions in integrating large numbers of newcomers, but there remain significant opportunities to help immigrants realize their full potential as a key competitive advantage for the region.

Immigrants consistently face both higher unemployment and a greater incidence of underemployment than people Canadian born. Immigrants with a university degree have twice the unemployment rate and earn 40% less than Canadian-born people with a university degree. And, the situation is worsening – more recent cohorts of immigrants are falling further behind.

For a country that prides itself on its diversity, fairness, and our open door policy, this is a surprise. For a country whose demographics promises worker shortages in the decades ahead, this doesn't make sense. Diversity is one of our competitive advantages.

A large portion of the region's immigrants comes from rapidly developing emerging markets. As more of the world's economic growth shifts to those markets, immigrants will increasingly be an important asset that differentiates our region from global competitors.

Newcomers enrich our region's human capital with their international experience, diverse language skills, access to international networks and understanding of global markets. Many developed economies are competing for the same immigrant talent and being a recognized leader in diversity and inclusion can help us better compete. Studies have shown that Toronto, Montreal and Vancouver are among the most attractive places for employers precisely because of our multilingual workforces, our commitment to equal opportunity and high literacy.

For business leaders in this region, this is an important means to succeed and contribute to Canada's future as a player on the global stage.

If you aren't convinced, let me share a few more numbers with you. In 2005, RBC Economics found that if all new Canadians were fully employed at their level of education and experience, earning equal pay to someone born in Canada, personal income would increase by \$13 billion a year. We are leaving economic growth - never mind fuller lives and stronger communities - on the table.

And, as the recent Conference Board Report on Women suggests, we may be doing the same thing with women. Women make up nearly half of Canada's labour force, yet as the study's evidence suggests, women have made very little progress over the past two decades in reaching senior management levels.

The number for women senior managers has hardly changed for more than 20 years with men still more than twice as likely to hold a senior executive position. And, according to the study, it doesn't look much better in middle management, which is the critical pipeline for future women executives. The number of women in those roles has only grown 4 per cent since 1987. Apparently, if you were to extend that rate, it would take 151 years before the ratio of men and women at the management level is equal.

Like the underemployment of new immigrants, this paucity of senior women is troubling. It can prevent younger women from entering certain professions or finding role models. A lack of diversity can also impact overall employee engagement, productivity and innovation. It has been shown that companies with more women senior managers typically have higher total returns than those with fewer women. Again, we are leaving economic growth on the table – never mind demonstrating a real commitment to the principles of equity and fairness in the workplace.

Speaking as a business leader, I know that achieving gender equity is key to the success of our company and our country. Canada cannot succeed in an increasingly global and knowledge-based economy without the full and active participation of women. Fifty per cent of Canadians are women – they obtain the majority of university degrees and influence over 80% of purchasing decisions. Women also own or manage over 40% of all businesses in Canada. We simply cannot afford to waste this human resource.

Over 60% of our 77,000 employees globally are women. It is abundantly clear to me that it is in our best interest – you could call it “enlightened self-interest” – to create the conditions where women can excel. This is why we say it is the smart thing to do.

At RBC, this means fostering our corporate values of respect and integrity. This means creating a world where everyone is respected for who they are and what they bring to the table. It is a fundamental tenet of a civil and just society. A place where every woman and man can achieve their full potential. That's why we also say it's the right thing to do. At RBC, we support this objective by implementing workplace programs that enable women to build their confidence, to develop their skills and talents, and to realize their dreams.

Over the last 30 years or so, RBC has focused on enabling women to achieve leadership roles. Our first woman vice president was appointed in 1979. Not a particularly great statistic. We were already a 110-year-old company at the time. However, today about 38% of our executives in Canada are women, 54% of managers and professionals are women, something we are proud of, but not complacent about. The work must continue.

Women bring unique and valuable perspectives to our social fabric and tangible bottom line results to our businesses. Our society needs their contributions and the success of women is one of our country's greatest strengths.

DIVERSITY AS A DRIVER OF PRODUCTIVITY, INNOVATION AND GROWTH

Given the numbers, it should be clear that diversity can also drive winning customers and markets that underpin economic development.

Today, it is more important than ever to hire the market you serve – and then unleash the diversity of those employees – because they are where you learn as a company to understand every single person you do business with in every corner of the globe.

The economic and business imperative is compelling – diversity has huge potential to drive innovation and productivity for companies and economies. Recent research shows that highly skilled newcomers are upping patent applications – a proxy for innovation – when they are included in the workplace. Institutions and organizations that actively foster diversity – that work to get the most out of the mix – will directly reap the benefits from their actions. We know the benefits that can flow when we get it right.

Diversity is a strong driver of productivity and a more productive economy can grow more quickly, create more jobs and offer better standards of living. We live in a knowledge intensive economy – having a highly skilled workforce is key.

And, with fewer people working in the future, immigration can make up the difference. But, the effectiveness of immigration depends on attracting *skilled* immigrants and ensuring they find work that is consistent with their levels of education and talent. If Canada – and the southern Ontario region – is to maintain and improve its standard of living, we must become the destination of choice for skilled immigrants, scientists, professionals and entrepreneurs.

Our labour challenges are real and will impede future economic growth if we do not find a coordinated strategy to leverage the skills and talents of people who have come here looking for a chance to succeed.

In fact, recent research from the Toronto Region Immigrant Employment Council, which I chair, shows that diversity in leadership is on the rise – which is very promising and we expect that trend to continue.

DIVERSITY AT RBC

At RBC, our focus is on how to put that diversity to work for economic benefit. And while I frame it in the economic imperative, this notion also includes the social imperative.

Let me talk a little bit about the results we see at RBC from our investment in diversity. As Canada has changed over the years, so has RBC. While we have been engaged in diversity efforts since the 1980s – that's when our focus on women started – the demographic and business trends heightened the need for a well-defined diversity strategy. For us, diversity is not a stand alone agenda, but is integrated into our business strategies and embedded in what we do. And, it is also one of our five core values.

Our [Diversity Blueprint](#) – which you can find on our public web site – is based on three key pillars: Talent and workplace, marketplace (or clients) and communities. We want to be a recognized leader in workforce diversity; to be the financial institution of choice for diverse clients; and, to help build healthy communities, which are increasingly diverse.

As you have heard, we have a strong focus on new immigrants, so let me just talk briefly to how we bring it all together to drive business value and change in that area.

In our workplace, through Bridging Programs, we provide internships to new immigrants, many of whom we subsequently hire.

In the Marketplace, we have numerous programs that specifically address the needs of newcomers – such as our *Welcome to Canada* website, help for newcomers wanting to start or grow a business, fact sheets in 14 languages and telephone banking services engaging translators who speak over 150 languages. Last year we launched an unsecured credit card for new immigrants to help them build a Canadian credit history and also a free day-to-day banking account for 12 months. And, we are now piloting a loan program in the GTR to help newcomers get a loan to go to school to obtain Canadian credentials and get established here.

I know Laura Gainey's team is championing diversity across the market and that we have many RBC employees helping to bring our diversity strategy to life.

We are also partnering to drive change in the broader community. We have established strong partnerships with not-for-profit organizations. We've chosen organizations that understand the importance of collaborating with multi stakeholders because that's what's needed for newcomer success. For example, we sponsor TRIEC's Immigrant Success Awards, which recognizes employers who are driving real progress in the integration of newcomers into our regional economy.

Through this integrated approach, not only have we contributed to RBC's diversity and ability to serve clients, but raised this issue to a national level to multiply our impact.

We have also become increasingly diverse *inside* RBC and at all levels of the company. For example, of the nine people on my executive committee – two are women – and they are both visible minorities. And this diversity in management and the broader workforce cascades within the organization. It's because we believe that having diversity brings a plurality of perspectives, of work experiences and of life experiences, and this helps us make better and more balanced decisions; and, it brings cultural competencies and relationships to win new clients and to better serve them.

Visible senior leadership commitment and clear accountabilities are critical to the success and sustainability of diversity efforts. We created our Diversity Leadership Council shortly after I became CEO in 2001, and I have chaired it since that time. It has been critical to have senior leaders from all businesses and functions on the Council. The Council has been key to keeping us on track. We also invite employees to the DLC so that we can listen to their experiences and gain a deeper understanding of their personal experiences at our company. I personally find that to be very worthwhile.

We find that building a diverse company happens naturally in the broader workforce, but that at more senior levels that's not always the case, as the Conference Board report shows. There are challenges and barriers. Our approach at RBC has been to establish goals, ambitious goals I might add, for executive and senior manager staffings.

No question, we focus on talent first. But the definition of talent isn't quite so black and white. We know it isn't about hiring in one's own image. It is also about valuing diverse experiences, about seeing the potential in all candidates. I believe it is important to invest in people so they develop the capabilities needed to further their careers. As a leader one needs to take chances on people – I've had mentors and sponsors who did that for me. And when I've done it, I have rarely been disappointed.

Having a broad mix at the table is important, but while representation is necessary, it isn't sufficient; it must go hand in hand with inclusion. Inclusion is being valued, respected and supported — and being enabled to fully participate in the workplace; where every individual *can* achieve her or his full potential. Inclusion needs to be reflected in an organization's culture, practices and relationships.

At RBC, we have diversity objectives, just as we have objectives for other important business issues. We report on it, we talk about it at management meetings, and report on it to the Board. We are creating a culture where Diversity is an expected measure of business performance. We also transparently share results across our businesses to help drive accountability.

Don't get me wrong! We have our challenges and not everyone buys in to the same degree. For example, we have challenges in specific businesses — but we engage the leadership to help drive the change.

CONCLUSION

I believe that corporations must see diversity as not just an add-on or a business opportunity, but a path to excellence...that embedding inclusion in your culture will help you get the most out of the mix and that the benefits will flow when you get it right.

At RBC, we have learned that when diversity and inclusion is part of decision-making, we are better positioned to connect with our customers and provide more meaningful products and services, driving customer loyalty and an enhanced bottom line in return.

Meanwhile, ensuring that each and every promising employee has an opportunity to contribute can pay off exponentially by driving innovation and growth; strengthening our workforce and enhancing our profile with potential recruits – not to mention inspiring other employees to give their best.

Diversity will increasingly be a key driver of economic growth in the future. It is both the right thing and the smart thing to do and something that we at RBC are passionate about.

Thank you.