

Continued Evolution and Support for DEI Initiatives



HRO Today Flash Reports are a series of ongoing research initiatives that address today's topics of interest in the HR community. These are focused briefs that can be used to support business decisions and discussions among industry practitioners and thought leaders.

This report examines how the importance of diversity, equity, and inclusion (DEI) has evolved for organizations over the past 12 months and what outcomes they are focusing on over the next two years.

This study was sponsored by **Allegis Global Solutions (AGS)**.

Methodology

Between April 19, 2023, and May 22, 2023, a series of emails were sent to subscribers of HRO Today magazine and HRO Today newsletters, inviting them to take part in an online study. Respondents were at manager-level or above within their human resources departments. They were also screened to ensure that they were familiar with their organization's DEI initiatives. The total number of usable surveys was 106, and all respondents were from North America. Where there are significant findings, respondents in companies with less than 500 employees are compared to those with 500 or more employees.

The sponsor was not revealed to study participants.

Background

DEI has been gaining significant attention and importance across various sectors, including businesses, education, and institutions. Organizations have recognized the value of diverse perspectives and the need for equal opportunities for all individuals. The commitment to DEI is evolving in the form of increased awareness and dialogue, workplace initiatives, education, and awareness campaigns, as well as accountability and measurement.



KEY FINDINGS

There were eight key findings produced by this research:

- 1** **Few organizations have completely arrived with their DEI initiatives.** While nearly two-thirds (61%) feel they have a DEI strategy and are making progress, only 8% feel they have arrived. Larger organizations (those with 500 or more employees) are much more likely than smaller organizations (less than 500 employees) to feel they have a strategy and are making progress (71% vs. 56%, respectively).
- 2** **DEI is not yet fully integrated into standard operating procedures for nearly two-thirds (64%).** Among that group, just over half (57%) indicated their organization's DEI efforts are only partially incorporated.
- 3** **The most frequently occurring obstacle to achieving DEI goals is lacking metrics for visibility/performance,** as indicated by most (55%). Larger organizations were more likely than smaller ones to be challenged with this, 61% vs 51%, respectively.
- 4** **The commitment to DEI in organizations has strengthened over the last 12 months and will increase further over the next two years.** More than half (55%) indicated that their organization's commitment to DEI initiatives increased over the prior 12 months, while more than two-thirds (68%) feel it will rise in the next 12–24 months. Respondents from larger organizations are more likely than smaller organizations to gauge that the commitment increased in the prior 12 months, 59% vs. 49%, respectively, but two-thirds of both segments expect an increase in the next 12–24 months.
- 5** **The DEI outcome most are focusing on in the next 12–24 months is improved retention of diverse talent across all levels,** with 61% indicating it is a focus. While an outcome of focus for most, this area was particularly a goal of those from smaller organizations (72%) vs. larger ones (57%). Increased representation at all levels of leadership in the organization is a focus for 57% of respondents, while creating and communicating DEI goals was the third most focused on outcome in the next 12 to 24 months, as indicated by over half (56%) of senior HR executives.
- 6** **Tying leadership compensation to DEI goals is not a widely accepted practice yet.** The average score for those agreeing the practice applies to their organization was a low 2.30/5.00, meaning most disagree. Incentives for executives is a long-standing practice, as they are often used to align individual goals to an organization's strategic priorities. So, encouraging DEI goals with them is a consistent practice that would cascade those goals to middle managers and the entire organization.
- 7** **The contingent workforce is often not part of meeting DEI goals.** Proactively ensuring established DEI goals apply to the contingent workforce is often overlooked, as most disagreed the practice was conducted in their organization with an average score of 2.86/5.00. There are approximately 52 million contingent workers in the U.S.¹ Not including this group in DEI goals means a third of the workforce is ignored.
- 8** **Most (60%) HR executives believe leadership behavior coaching would be of benefit to them.** This training helps leaders understand why DEI is vital, develop strategies for promoting diversity and inclusion, and build skills for managing diverse teams.

DETAILED FINDINGS:

Organizations' Commitment to DEI Initiatives

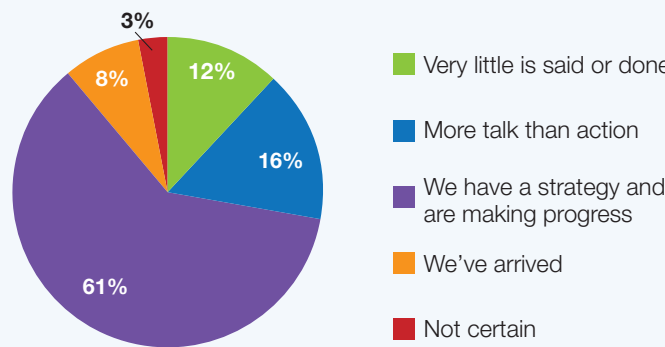
Which of the statements below best reflects your organization's commitment to DEI initiatives?

Study participants were asked to select the statement that best reflects their organization's commitment to DEI initiatives. Nearly two-thirds (61%) indicated they have a strategy and are making progress, while only 8% feel they have arrived. Respondents from larger organizations (those with 500 or more employees) are much more likely than those from smaller organizations (less than 500 employees) to feel they have a strategy and are making progress (71% vs. 56%, respectively) and four times less likely to feel they are more talk than action (5% vs. 22%).

A recent article from Harvard Business Review offers some insight into how organizations can assess their

progress with DEI initiatives. The authors describe a framework intended to help leaders move DEI to something deeply woven into an organization's mission, culture, and values. It includes organizations asking themselves: Are we providing equitable access to career opportunities? Are we promoting a culture of allyship? Have we made a public commitment to DEI with external partners? Do we know how we'll measure our progress (or lack thereof)? These questions can help leadership teams do some critical self-examination and empower them to create an equitable work environment based on a foundation and culture of shared responsibility and organizational accountability.²

Organizations Commitment to DEI Initiatives



Organizations' Commitment to DEI Initiatives by Number of Employees	Less than 500	500 or More
More talk than action	22%	5%
We have a strategy and are making progress	56%	71%

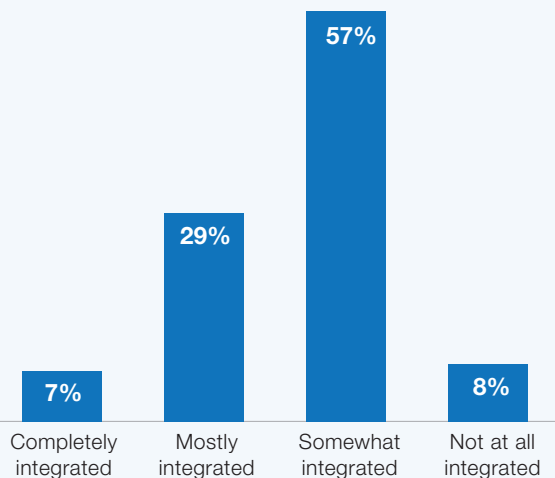
Ability to Integrate DEI Into Standard Operating Procedures

How would you describe your organization's ability to integrate DEI into standard operating procedures to mitigate barriers to equity for employees?

Respondents were asked to describe their organization's ability to integrate DEI into standard operating procedures to mitigate barriers to equity. Just over half (57%) indicated their organization is somewhat integrated, with 36% completely or mostly integrated.

Once an organization has aligned internal and external efforts and connected top-down and bottom-up efforts, it has reached the integrated stage. An integrated organization has defined its DEI strategy, developed a culture of inclusion, and taken a close look at the impacts of discrimination and inequity across its internal and external stakeholders, seeking to address those challenges. Companies in this stage can truly say, "DEI is part of everything we do." Less than one-quarter (22.7%) of organizations are at this stage.³

Ability to Integrate DEI Into Standard Operating Procedures



A Snapshot of Companies' DEI Progress

A 2022 survey conducted in partnership with Slack's Future Forum asked more than 10,000 knowledge workers across six countries to evaluate their companies' DEI performance. Nearly a third of organizations are stuck in the compliant stage, the study revealed.

Which of the following statements best describes your company's approach to diversity, equity, and inclusion?



Source: *Harvard Business Review*, December 2022



Obstacles to Achieving DEI Goals

What do you believe are the obstacles to achieving DEI goals at your organization?

Study participants were asked to select the top three obstacles from a list of seven to achieving DEI goals at their organization. There was a range of obstacles indicated, with none clearly signaling the biggest by a significant number. But the most frequently selected concern was lacking metrics for visibility/performance, as indicated by 55%. Larger organizations were more likely than smaller ones to find this an obstacle, 61% vs 51%, respectively. Deciding how and what to measure could easily be the biggest challenge organizations face when implementing DEI initiatives. Beyond the most visible types of diversity, for instance gender and race, other metrics are vital, such as attrition rate among employees from diverse demographics, and external benchmarks like recruiting practices and a supplier diversity strategy.⁴

The lack of relatable role models in senior positions was indicated as an obstacle by half (50%) of the HR executives in the study, the second highest percentage. This obstacle is even more prevalent among those in larger organizations than smaller, 60% vs. 39%, respectively. The lack of relatable role models in senior positions is one of the biggest

barriers to employee inclusion. Because of the lack of diverse leaders, employees from underrepresented groups are less likely to feel comfortable or included. Lack of diversity in leadership also keeps candidates from applying to work at your organization.⁵

Lacking enough diversity in the workforce was selected by 47%, the third most frequently indicated. A DEI program cannot succeed in the absence of adequate representation of diverse groups of people. One key hindrance is the perception of diversity as meaning anything other than the inclusion of people of distinct ages, genders, ethnicities, social classes, income levels, and different cultural backgrounds. Most DEI programs fail because of the lack of appropriate representation and inclusion of diverse groups.⁶

Overall, those from smaller organizations find not enough education/training, lacking metrics for visibility, and lacking enough diversity in the workforce to be greater obstacles than larger organizations.

Deciding how and what to measure could easily be the biggest challenge organizations face when implementing DEI initiatives.





Obstacles to Achieving DEI Goals



Organizations' Commitment to DEI Initiatives by Number of Employees	Less than 500	500 or More
Not enough training/education	47%	35%
Lacking metrics for visibility/performance	61%	51%
Lacking enough diversity in the workforce	56%	42%
Lack of relatable role models in senior positions	39%	60%
Lacking budget allocation/resources for DEI initiatives	22%	40%

How Commitment to DEI Initiatives is Changing

Please indicate how your organization's commitment to DEI initiatives has changed/will change for each period below.

Respondents were asked two questions about their organization's DEI initiatives. The first was to assess how their organization's commitment has changed over the prior 12 months, while the second asked how they feel it will change in the next 12–24 months. Overall, more than half (55%) indicated that their organization's commitment to DEI initiatives increased over the prior 12 months, while more than two-thirds (68%) feel it will rise in the next 12–24 months. Respondents from larger organizations are more likely than smaller organizations to gauge that the commitment increased in the prior 12 months, 59% vs. 49%, respectively, but similar percentages expect an increase in the next 12–24 months.

The ongoing commitment respondents have made to DEI is encouraging, but there are concerns. According to a recent article, while DEI work has surged in recent years, it could be showing signs of softening as organizations brace for uncertainty in the markets they serve. Additionally, there is an effort from some far-right politicians to fully go to war with “woke.” Between this political pushback and the uncertainty in the US markets, the pressure to reduce costs often results in DEI budget cuts or eliminating the budget altogether.⁷

Because DEI is well studied, there are relevant facts that can be presented that can justify the business case for it. Consider the following statistics compiled from the same source:

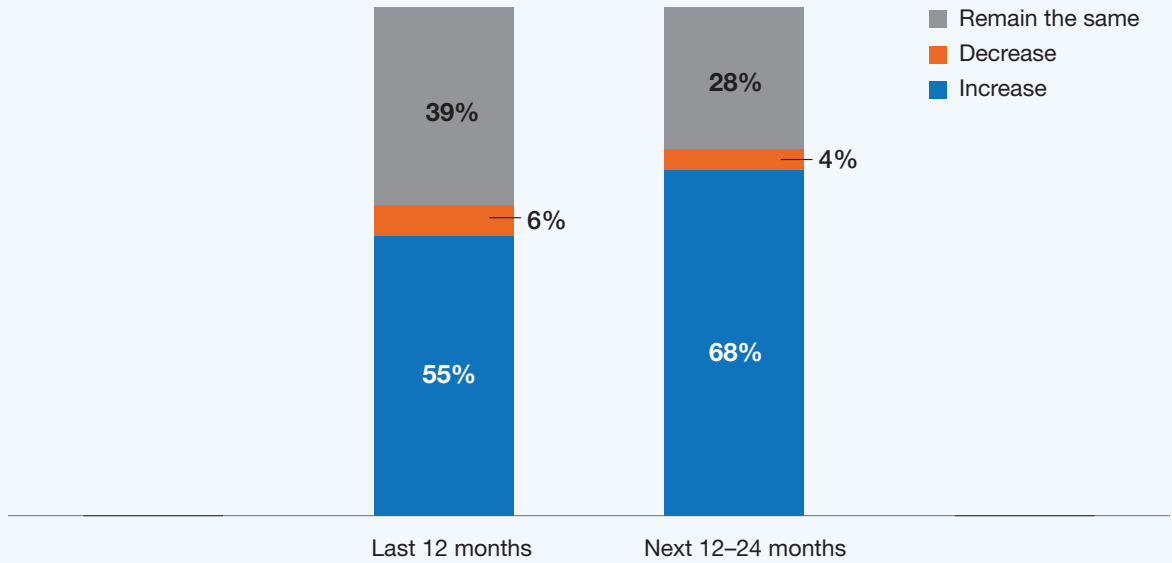
- There will be a global worker shortage of 85 million by 2030 and by just 2025, Gen Z will make up 27% of the workforce. Sixty-eight percent of Gen Z workers are not satisfied with their organization's progress in creating a diverse and inclusive work environment.
- Inclusive teams make better business decisions 87% of the time.
- Firms with more diverse management teams have 19% higher revenues according to Forbes.
- Gender and racial diversity lifts profitability rates 20–36% according to McKinsey.
- There's ample evidence that companies who lead with inclusive behavior are coming out on top, even amidst backlash and in a polarized environment because 63% of people buy or advocate for brands based on their beliefs and values.

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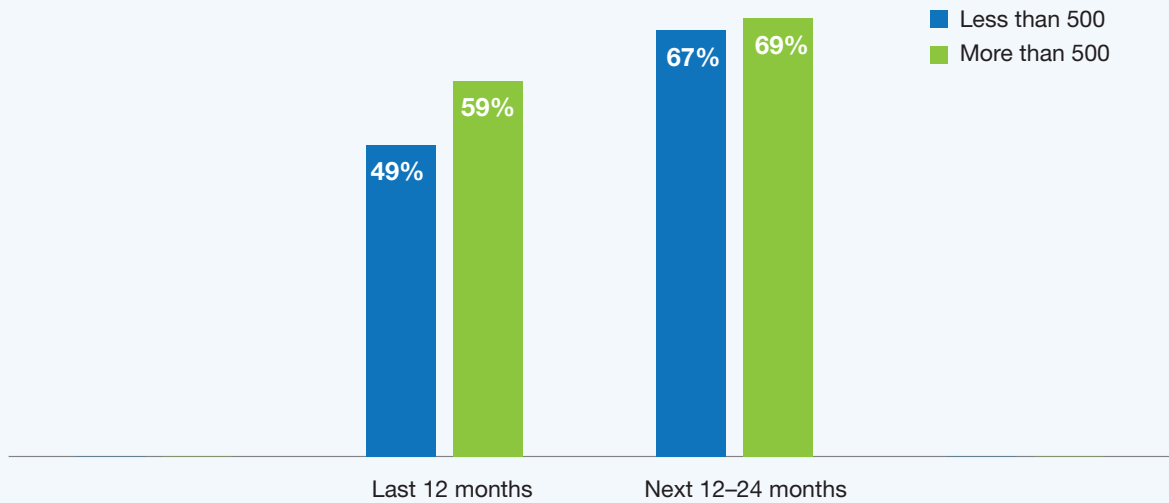




How Commitment to DEI Initiatives is Changing



How Commitment to DEI Initiatives is Increasing by Employee Count



Focus of DEI Outcomes

What DEI outcomes are you most focused on in the next 12 to 24 months?

Study participants were asked to select the top three DEI outcomes they are focused on in the next 12 to 24 months. The outcome that most are focusing on is improved retention of diverse talent across all levels, with 61% indicating it is a focus. The emphasis on retention isn't surprising, considering it is among the chief concerns of organizations worldwide. While retention is an outcome of DEI programs for most organizations, this area was particularly a goal of those from smaller organizations (72%) vs. larger ones (57%). Retention can be improved in many ways, which include fostering a sense of belonging, offering mentorships, enable opportunities for growth, and being flexible and accountable.⁸

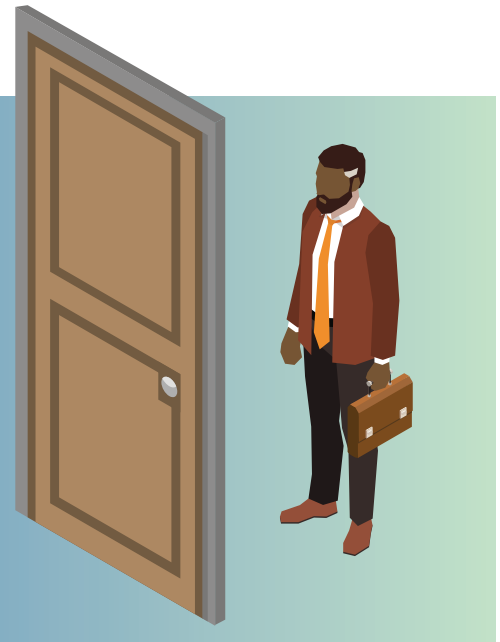
Increased representation at all levels of leadership in the organization is a focus for 57% of respondents. Those from larger organizations are more likely to have this focus than smaller ones, 63% vs. 53%, respectively. Without minority leaders in key and

visible positions in the company, DEI efforts will be met with skepticism about their sincerity.

Creating and communicating DEI goals was the third outcome most focused on in the next 12 to 24 months, as indicated by over half (56%) of senior HR executives. Creating the plans include establishing organizational accountability for DEI by defining roles, goals, and success metrics.⁹

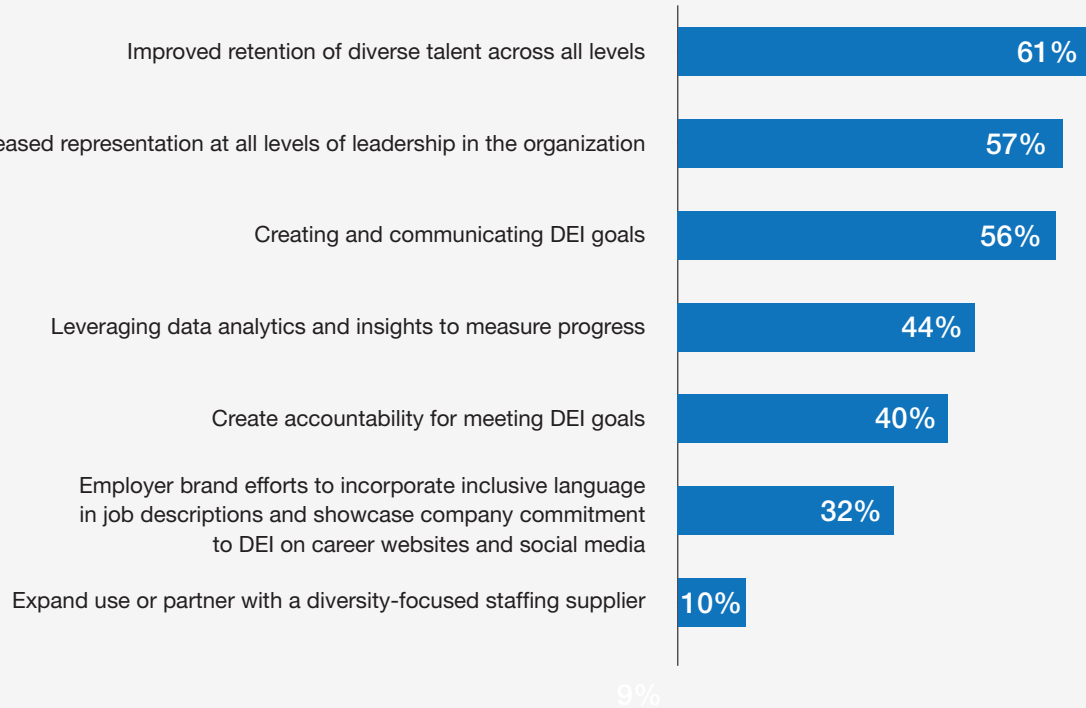
But communication is just as important. According to a 2021 study, 97% of employers reported they introduced new inclusion measures in the past year, yet 24% of employees believed their employer had not introduced any new measures. The reason for the misalignment is communication. More than half of employers report sharing DEI updates through company-wide channels, but less than a quarter of employees report this happening within their organization.¹⁰

Increased representation at all levels of leadership in the organization is a focus for 57% of respondents. Without minority leaders in key and visible positions in the company, DEI efforts will be met with skepticism about their sincerity.





Focus of DEI Outcomes



Focus of DEI Outcomes by Employee Count	Less than 500	500 or More
Increased representation at all levels of leadership in the organization	53%	63%
Leveraging data analytics and insights to measure progress	31%	52%
Improved retention of diverse talent across all levels	72%	57%

DEI Program Integration – Extent of Agreement

Please indicate your extent of agreement with each statement below in terms of how much you agree the statement applies to your organization on a scale of 1–5, where 1 indicates strong disagreement and 5 indicates strong agreement that the statement applies to your organization.

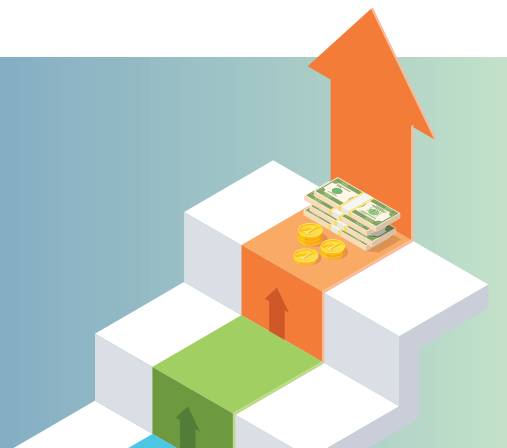
Respondents were shown nine statements related to DEI and asked to indicate how much they agree the statement applies to their organization. The extent of agreement about how well the statement related to DEI applied to their organization was low across all nine areas explored. In total, there were six statements that applied notably more to larger organizations than smaller, but none that applied more to smaller than larger organizations. The largest gap (1.07) between size segments was “We have established employee resource/affinity groups to help meet DEI goals,” with an average score of 3.83 for larger organizations vs. 2.76 among smaller organizations.

The areas where there is the least amount of agreement offer insight into where organizations may be lacking in their DEI programs. The area with the lowest agreement is “We tie leadership compensation to DEI goals,” with an average score of 2.30/5.00. Mercer estimates that only 15%–20% of S&P 500 companies include DEI metrics in their executive incentive plans.¹¹ Some of those companies included McDonald’s, Nike, and

Starbucks. Using compensation to achieve DEI strategic alignment is particularly promising since organizations extensively use incentives for other financial and business goals.¹² However, the practice is not without controversy, leaving some HR professionals wondering about the unanticipated risks, such as lawsuits and anti-DEI shareholder activism of such an executive compensation program.¹³

The next area with the lowest level of agreement was, “We proactively ensure we meet established DEI goals for our contingent workforce (contractors, consultants, freelancers),” with an average score of 2.86/5.00. Managed service providers (MSPs) can act as catalysts for corporations to manage staffing suppliers and address their clients’ contingent workforce needs by helping with supplier selection, performance measurement, rate card management and diversity spend tracking, among other activities.¹⁴ Related to that is the third lowest rated area, “We have well-defined goals for services under a SOW,” with an average score of 2.90. A qualified MSP can help define those goals and select suppliers who can meet the objectives.

Using compensation to achieve DEI strategic alignment is particularly promising since organizations extensively use incentives for other financial and business goals.





DEI Program Integration – Average Extent of Agreement



Applicability of Statements by Employee Count – Average Extent of Agreement	Less than 500	500 or More
We have well-defined goals for services under an SOW	2.50	3.14
We proactively ensure we meet established DEI goals for our contingent workforce (contractors, consultants, freelancers)	2.55	3.06
We have established employee resource/affinity groups to help meet DEI goals	2.76	3.83
Our company has mentorship programs to meet DEI goals	2.77	3.10
We proactively ensure we meet established DEI goals for our permanent workforce	2.85	3.38
We have successfully conducted inclusion training and awareness programs	3.03	3.73

Needed DEI Services

Which DEI services below could your organization benefit from?

Study participants were asked to indicate the DEI services they believed could be of most benefit to their organization. Of the five areas examined, at least 50% of respondents thought four of them could be of benefit.

The DEI service that the most felt they could benefit from is inclusive leadership behavior coaching, selected by 60%. Inclusive leadership training is a crucial aspect of promoting DEI in the workplace. It focuses on developing leadership skills and practices that foster an inclusive and supportive work environment, where all employees feel valued, respected, and heard. This type of training is important for organizations of all sizes, as it can lead to increased productivity, creativity, and a positive work culture.¹⁵

Best practices and training on bias mitigation strategies was selected by 57% of respondents, the second most often of the areas surveyed. The most effective bias training does more than increase awareness of bias and its impact, it teaches attendees to manage their biases, change their behavior, and track their progress. It gives them information that contradicts stereotypes and allows them to connect with people whose experiences are different from theirs.¹⁶

Talking to peers about their struggles and successes in achieving DEI goals within their organization, selected

by 53% of respondents, can also be a powerful tool. Events where senior HR leaders can freely network and address topics like these among their peers from other organizations can foster in-depth and frank conversations that cannot be achieved inside their own organizations. The insights gleaned from these conversations can be applied internally.

The remaining DEI service with at least 50% feeling they could benefit from using it, was an assessment to measure where companies are on their commitment to a diverse, equitable and inclusive workforce. Some of the areas to be considered when assessing an organization's progress with DEI include a review of the diversity statement, examining the organization's mission, values, and goals. How is the organization fulfilling these goals: social responsibility, community engagement or other initiatives?

Other ways to assess the commitment is by the presence of a diverse representation of the leadership team, which includes the board, directors, and vice presidents. Having a chief diversity officer or the equivalent is an important role for larger organizations. How the organization targets diverse groups during the recruitment process is also key, which includes the diversity of internship recruitment, externships, leadership, and exploratory programs for diverse populations.

Talking to peers about their struggles and successes in achieving DEI goals within their organization, selected by 53% of respondents, can also be a powerful tool.



Needed DEI Services



Notes

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