



Executive
Perspectives

An overhead photograph of a diverse group of business professionals sitting around a table in a meeting. The image is partially obscured by a dark overlay containing text. The people are engaged in discussion, with some looking at documents or laptops. The setting appears to be a modern office or conference room.

Rethink & Broaden Diversity, Equity, and Inclusion to Create a Competitive Advantage

March 2022

Broader, multidimensional approach to DEI critical to drive step-change...

Talent: Unprecedented urgency

Business: Recognition of potential

Society: Growing expectations

Top 3

“Bias” and “lack of fair treatment at work” are 2 of top 3 factors most correlated with retention risk during the Great Resignation (2021)¹

76%

Of the global workforce believes **diversity at work is a critical factor** when considering employment²

1.3x

Higher procurement ROI for companies with a strong supplier diversity focus vs. average comparable business³

~40%

Of S&P 500 companies **discussed diversity on earnings calls**⁴

90%

of Gen-Zers believe companies should **take action on social issues**⁵

\$50bn+

In **pledges to address racial equity** by top 50 US companies in the 3 months after summer 2021 protests⁶

1. BCG Future Forum pulse, conducted Nov 1-12, 2021. Number of completed responses = 10,279. Countries covered: US, UK, Australia, France, Germany, and Japan; 2. Employee expectations rise as brands address DEI initiatives," Agility PR Solutions, 2020; 3. Supplier Diversity Performance Study, Hackett Group; 4. RBC 2020; 5. Brighthouse analysis; 6. Washington Post; Other sources: BCG analysis, web search; HBR

...yet questions remain on how to effectively progress in these three areas



Talent

How do we **attract and build a diverse workforce**?

How do we ensure **truly equitable and unbiased workplace environment**?

How do we **drive engagement** and overall employer brand perception catering to all employees?



Business

How do we **integrate an equity and inclusion lens** in all business operations?

How do we drive **innovation and value creation** through more inclusive practices, products, and services?

How do we **leverage supplier and distributor diversity** as a competitive advantage?



Society

How do we effectively use our (company's) identity, **voice, and influence to catalyze social change**?

How do we most successfully **amplify commitments** within industry?

How do we **measure the impact** of our direct activity and its multiplier effect?

Summary

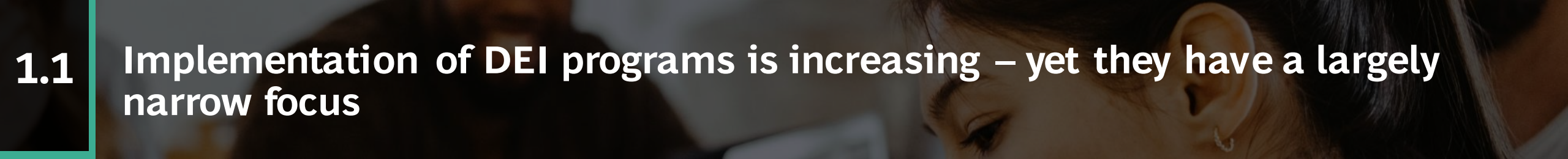
Rethink and broaden DEI to create competitive advantage

1 TRENDS

- 1 The past decade saw increasing implementation of formal DEI programs – yet the goal is still far away due to a narrow focus
 - 2 Social movements, COVID-19 impact, and Great Resignation increased the urgency on businesses to act as agents of change
- The expectations for corporate advancement of DEI have become more expansive in scope:
- 3 Talent: Stronger outcomes expected – with challenges rooted in emphasis on leadership-track talent and use of broad demographic categories (e.g., women, LGBTQ+) that fail to recognize individual (functional and emotional) needs
 - 4 Business: Recognition that DEI lens can unlock significant value via innovation, better-fit products, stronger value chains, and addressing underserved communities' needs
 - 5 Society: Growing pressure on companies from customers, investors, and stakeholders to advance the social good via advocacy, philanthropy, convening and mobilization of partners

2 IMPLICATIONS FOR LEADERS

- 1 Shift the mindset from DEI as a “do-good” signaling move to a lever of long-term, sustainable advantage
- 2 Amplify the talent impact:
 - Expand beyond traditional DEI segments, recognize the complexity of identities and changes in needs over time
 - Address needs co-related with happiness and motivation - and create nuanced, end-to-end solutions
- 3 Unlock DEI as a driver of business opportunities: remove bias from own operations, innovate propositions to serve broader segments, cooperate with ecosystem partners
- 4 Use society's ESG expectations to drive change: revisit DEI KPIs, make visible commitment to bold action, advance advocacy



1.1 Implementation of DEI programs is increasing – yet they have a largely narrow focus

Diversity



Improve representation, esp. in leadership

~70% Of **companies have diversity programs**, in many countries¹

Narrow focus on DEI so far

Equity



Drive fair outcomes in hiring & advancement

\$8bn Annual spending on **diversity, equity, & inclusion training** in the US²

Inclusion



Mitigate bias & create psychological safety

67%+ Of staff feels their firm is **inclusive and respectful** of their identity³

Challenges remain

Talent	Up to 75%	Of target employees do not feel benefit from DEI programs ¹	Only ~50%	Of diverse employees feel their day-to-day is free of bias ³
Business	76%	Of companies have no DEI goals as part of their business strategy ⁴	Only ~7%	Of companies' spending is directed to diverse suppliers ⁵
Society	42%	of people believe business is not doing enough to address systemic injustice ⁶	27%	Of executives see lack of internal alignment/action on social issues as a barrier ⁷

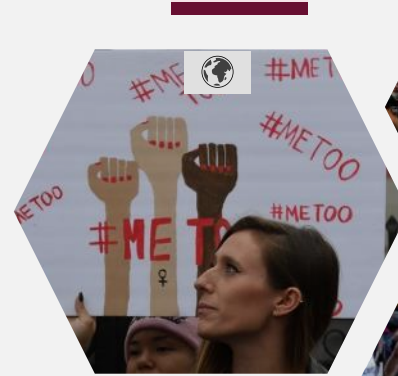
1. BCG "Redefining Diversity Equity and Inclusion" 2021; 2. BCG "It's time to reimagine diversity and inclusion", May 2021 3. BCG DIAL survey 4. HR Dive 5. Hackett Group; 6. Edelman Trust Survey 2022; When it comes to each of the following areas, please indicate if you think business is going too far and overstepping what it should be doing, is doing just the right amount in regard to this activity, or is not going far enough in its actions and should be doing more. 3-point scale; code 3, "not doing enough"; code 1, "overstepping". General population, 27-mkt avg; 7. Porter Novelli Study 2021; Other sources: BCG DIAL Survey; BCG Publications and experience; HBR



1.2 Global social movements and impacts of COVID-19 have increased pressure on businesses

Global social and political movements intensified pressures

~80% Of women globally have experienced some form of **sexual harassment**



~340%

Rise in Asian hate crime in the US in 2021 vs. 2020



Indigenous women march

~50% Of US hate crimes motivated by **anti-Black bias**

COVID-19 disproportionately impacted minorities

~1.5x

Higher rate of **leaving jobs for caregivers¹** during COVID globally



Only 35%

Of US working moms who left during the pandemic plan to **return to work vs pre-pandemic**



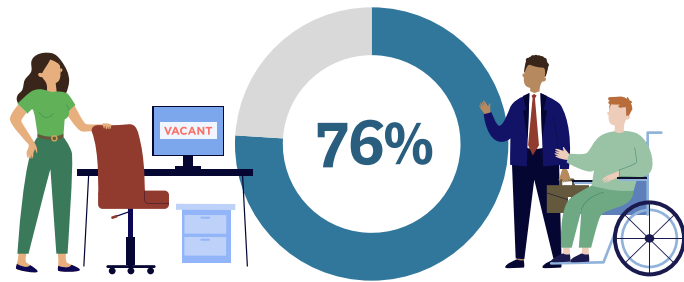
4%

Increase in female unemployment in India during second wave (vs 1% for men)

¹Versus non-caregivers; Source: International Labor Organization; Our World in Data; NYTimes; Forbes; The Guardian; Business Insider; Bank of America; Bloomberg, BCG research

1.3 Talent: Majority of employees increasingly expect stronger DEI outcomes

Talent expects DEI efforts from companies...



Of job seekers view **workforce diversity** as an important factor when considering employment opportunities¹

43%

Of those looking for new employment say it is important that **company speaks out on DEI**²

53%

Of Gen Z consumers **expect firms to have diverse senior leadership**³

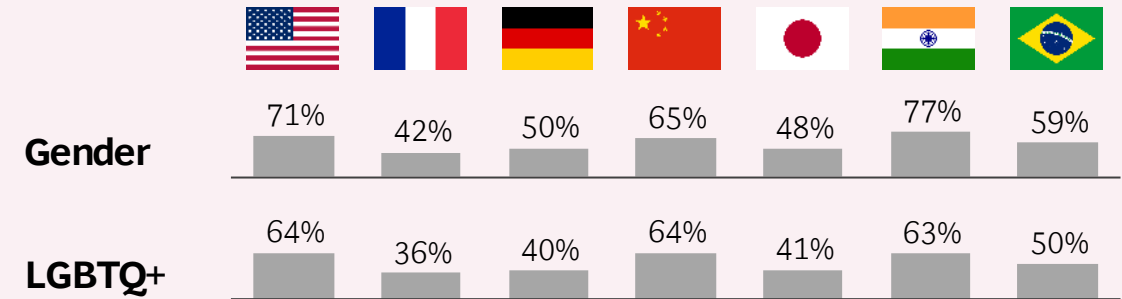
44%

Of **LGBTQ** job-seekers **did not apply for a job/declined a job offer** due to perceived noninclusive culture⁴

...and believe not enough is done – despite many initiatives

DEI program(s) varies by country – gender programs most common

% respondents that indicated their company had the particular diversity program or initiatives⁵



yet...

Up to 75%

Of targeted employees **do not feel personal benefit** from them⁴

66%

State their companies are **'not doing a lot of work' on the topic of DEI**⁶

1. Glassdoor 2. Employee expectations rise as brands address DEI initiatives," Agility PR Solutions, 2020, 3. Race and Representation Branding Study Dashboard"; 4. BCG DIAL Survey 2020; The range presents different countries; 5. BCG DIAL Survey; Q – "Does your company have any programs, initiatives or activities in place to promote the following types of diversity?" A. Y/N/Not sure; re-based Y/N answers; removed "Not sure" N=32,537; 6. CNBC "Majority of employees want to work for a company that values diversity, equity and inclusion, survey show" - NBC|SurveyMonkey Workforce Survey. The pdl was conducted among 8,233 employed adults across the U . S. from April 8-18. Source: BCG experience and analysis; BCG DIAL survey 2020; International Labor Organization, OurWorld in Data, NYTimes, Forbes, The Guardian

1.3

Talent: Challenges are rooted in a narrow focus, overly simplistic approach, and failure to address underlying needs - among other factors

Scan code or [click here](#) to learn more



Traditionally, DEI has taken a narrow, overly simplistic approach

Narrow focus on leadership track

Concentrates on high-potential, C-suite talent

Use of demographic DEI categories



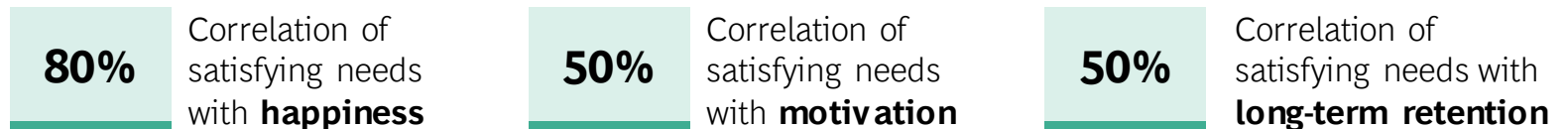
- Man
- Woman
- White
- Black
- Asian
- Other
- Straight
- LGBTQ

Put employees "in a box," not recognizing full spectrum and multiplicity of identities

Overlook the real needs that drive happiness, retention, motivation

Focus on tactical policies and technical benefits without solving for underlying needs

As a result, they don't tend to inspire positive employee outcomes



Notably, they overlook true underpinning needs correlated with happiness

Example: US women



3 out of the top 4

Needs that US women often **self-rank** as most important include compensation, benefits and work-life balance – yet they are **not within top 10 biggest drivers of happiness**

Top 5

Needs most correlated with women's happiness are more heavily grounded in their day-to-day experience: e.g., feeling valued, supported, fairly treated, respected, and important

Similar results observed for the male population

Source: BCG's US Workforce Survey, 2021, BCG analyses, Note: n=3,345 full time working women; Note: average MaxDiff scores used

1.4 Business: Increasing recognition that a DEI-forward lens embedded in business strategy can unlock significant value and advantage

Companies are increasingly making DEI a fully integrated part of their strategy:

Innovate business models

Support diverse entrepreneurs - **capitalize on under-invested businesses**, innovative ideas and access to marginalized groups

Strengthen value chain

Tap into diverse suppliers to expand & better tailor own product
Widen supplier base to reduce dependence & promote competition

Build "better fit" products

Expand consumer base via propositions for unmet needs
Build brand loyalty by addressing specific communities' needs

Serve underserved markets

Establish and drive demand in nascent/marginalized markets
Capture **unexplored sales potential**

Micro-distribution



- Help rural marginalized women be entrepreneurs - use their networks to reach communities with nutritious food
- Provide training in sales, management, finance, nutrition & wider support

180% Incremental income increase in Brazil rural communities

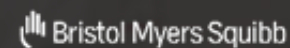
Diverse vendor development program



- Workshops with women & ethnic minority suppliers on retail practices, buyer relations, brand building, financial planning, capital access, etc.

\$2.1bn Purchases from diverse suppliers in 2018-2020

Drug suitability for minorities



- Training 250 clinical investigators from minority backgrounds to recruit more diverse trial participants – in order to ensure wider-applicability of drug across racial demographics

\$100M Committed to NMF¹ to increase DEI in clinical trials

Better serve un- and under-banked



- Employed community managers to build trust in underrepresented communities
- Introduced new credit risk assessment to remove bias & ensure equity

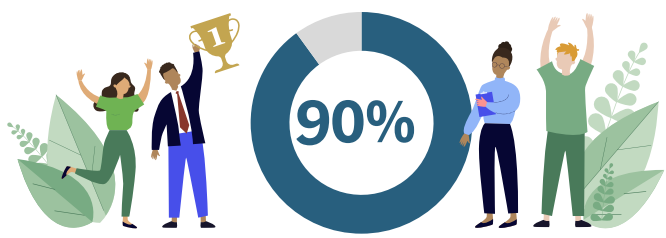
\$30bn Lending pledge for underserved areas

1. National Medical Fellowships
Source: BCG analysis and experience; HBR; press search



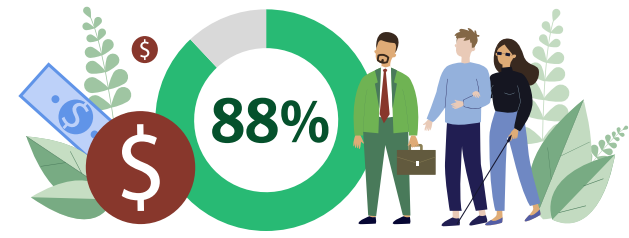
1.5 Society: Growing pressure on companies from customers, investors, and stakeholders to advance the social good

CONSUMERS: Demand more corporate involvement on social issues



Of Gen-Zers believe companies should **act on social issues**¹ ... and **91%** of Millennials in the US would **switch brands to those championing a cause**¹

INVESTORS: Recognize DEI activism in society as a signal of impact



Of institutional investors subject **ESG** to the **same scrutiny as financial considerations**² ... **given 80%+** of studies show ESGs result in **better performance**³

Companies increasingly engage in societal DEI initiatives

<p>1 Vocal advocate for a cause</p>	<p>2 Philanthropy: channeling resources to expert groups</p>	<p>3 Convening at forums to advocate for public policy</p>	<p>4 Mobilizing partners to drive systemic change</p>
<p> Support women in sport</p> <p>Launched campaign "Dream Crazy" with Serena Williams to combat the stereotypes placed on women athletes</p> <p>+35M Views on YouTube and Twitter in 2 days</p>	<p> Pledged funds to promoting racial justice</p> <p>Set up inclusion advisory board to identify the resources and funds to donate to fighting social injustices</p> <p>\$10 M Pledged in 2021 for social justice initiatives externally</p>	<p> Advocate US racial justice policies</p> <p>Advocate for US policing reform, set out policy recommendations & commitments to address the racial wealth gap</p> <p>\$20 B+ Commitment to minority-owned small businesses⁴</p>	<p> Improve access to health care</p> <p>Partnered with South African government and Transnet to provide free health care, health education, disease screening in 70 rural communities via health trains</p> <p>14m People benefiting, 3m patients receiving medication</p>

1. BCG Brighthouse analysis 2. 21 Edelman Trust Barometer Special Report: Institutional Investors. Q7. Please indicate the extent to which you agree or disagree with the following statements regarding shareholder activism. 4-point scale; top 2 box; 3. BCG research of 51 ESG studies; 'ESG and Financial Performance: Aggregated Evidence From more than 2000 empirical Studies' by G. Friede, T. Busch, A. Bassen; 4. Commitment via capital, grants, low-cost debt and technical assistance, including focused investments in historically underserved and undercapitalized communities; Other sources: BCG analysis, experience, press search; [Business Roundtable](#)

Shift your mindset and attack the issues from a broader DEI perspective

1



Shift the mindset from DEI as a “do-good” move to “must-have” lever of sustainable advantage

- Apply across your people, stakeholders, business ecosystem, and wider society
- Ensure necessary investment in DEI across leadership priorities, core diversity team, and resourcing for holistic DEI strategy
- Embed in performance goals of leaders and managers across the enterprise

2



Amplify talent impact

- Expand the field of view – refocusing efforts on the entire workforce
- Recognize the complexity of needs, and how they evolve over an employee's career and life
- Reinvent how to develop (nuanced) solutions – address emotional needs, not just functional and technical ones

3



Unlock DEI as a driver of strategy

- Recognize DEI as powerful lens for opportunities - dedicate sufficient investment & innovation focus
- Anchor in authentic levers for your company
- Develop new & inclusive products and business models; innovate to reach the underserved
- Incorporate DEI practices across your ecosystem – e.g., diverse suppliers

4



Use ESG expectations to drive change

- Revisit DEI KPIs – expand to both leading¹ indicators and broader measures capturing people, business, and societal impact
- Make visible commitment to bold action and drive transparency of outcomes
- Extend reach and impact with policy and advocacy agenda

1. Leading indicators consist of inclusion, retention, advancement (not only representation); Source: BCG analysis and case experience

2.1

Shift the mindset from DEI as a “do-good” signaling move to lever of long-term, sustainable business advantage

Historical approach:
Diversity for diversity's sake



Approach needed to accelerate:
**Apply business to the why,
go deep on the how**



VALUE VIEW

Moral obligation

- It is the right thing to do'
- Focus on equality, equal opportunity, respect
- Hope for higher creativity/innovation

ACTION

Committing to improve diversity

- Enhance objectivity & representation in recruiting and promotion
- Launch anti-discrimination policies
- Commit to diversity
- Create support groups (e.g., women)

VALUE VIEW

Business, talent & socio-economic enablement

- DEI as a tool to enhance employee experience and business outcomes
- Full talent realization of everyone

ACTION

Using DE&I to realize our full potential

- Apply DEI to unlock talent across the entire organization
- Focus on deep-rooted (emotional) needs of employees and society
- Embed in leaders' performance goals and business strategy to unlock value
- Ensure necessary investment in DEI

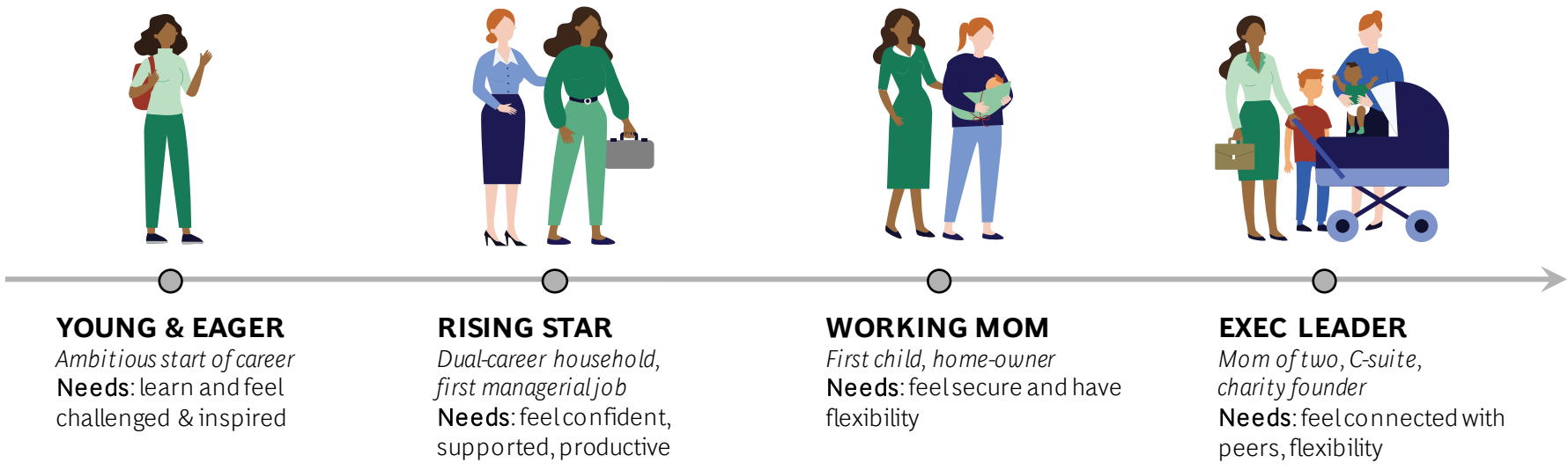
2.2 Amplify talent impact: recognize the complexity of contexts that can shape how employees' needs change over time

Scan code or [click here](#) to learn more



Understand how needs change over time for broader workforce

- 1** Expand the focus from top talent to **the entire workforce**
- 2** Go beyond demographic categories (e.g., women, LGBTQ+) when designing employee value proposition. Understand both employees' **emotional** (e.g., "I want to feel in control") and **functional needs** ("I need predictability") – and which ones matter most to drive happiness, retention, and motivation
- 3** Recognize these needs are **dynamic and change** over the course of the employee's career and personal life



Case study

Gabrielle Novacek
Managing Director & Partner, BCG



Gabrielle explains how partner's life-threatening medical diagnosis led to a powerful breakthrough in reimagining DEI

“ Our lives were turned upside down in a heartbeat, and part of what I had to sort out was **how would I be a caregiver in the context of my job**

Gabrielle Novacek, BCG

2.2 Reinvent how to develop solutions: address employee needs and create nuanced, holistic solutions

Scan code or [click here](#) to learn more



1 Tap into employees' decision making

- Embrace **employees' agency** in their careers
- Understand **underlying causes** of employees' departures/discontentment
- Identify emotional and functional needs that matter most to **happiness, motivation and retention**



2 Recognize cohorts with similar needs

- Go beyond overly simplistic demographic buckets to **groups with shared needs** (e.g., caregivers, not just moms)
- **Find clusters** of demographic & attitudinal **patterns** that best predict key **needs**
- Analytically **derive "communities"** with unique sets of needs and experiences



3 Create solutions for the entire career and personal journey of each cohort

- **Rethink and develop more nuanced solutions** addressing parts of one's identity that really matter
- Devise a **more holistic set of interventions** - ones that address an employee's **emotional** needs (e.g., feeling supported) beyond functional benefits (e.g., part-time)

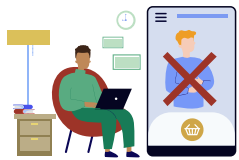


Open continuous (anonymous) feedback loop and regularly refine solutions to better capture nuances of foundational needs and evolving employee journeys



2.3 Unlock business opportunities via DEI: innovate propositions to serve broader segments and build advantage in your ecosystem

Scan code or
[click here](#) to
learn more



Assess own practices & remove inherent bias from operations

Assess your **customer base** vs. the demographics of the areas you serve

Review your marketing & sales practices for bias: e.g., customer targeting/screening, algorithms

Test your brands, products/services, messaging/imaging **with a representative set of customers**



Innovate areas to serve marginalized segments

Identify dimensions where company can create greater social DEI: e.g., promoting equal opportunity/health care

Identify DEI drivers for **customer acquisition**

Integrate focus on underserved segments into customer insights

Use human-centered design to develop new **products & business models**

Catalyze partnerships to accelerate



Spearhead DEI in your ecosystem & supply chain

Benchmark **supplier diversity** with customer base and competitor set

Set and de-average targets based on supplier base & opportunity space

Embed diversity in **supplier scorecards/assessment**

Collaborate with suppliers to improve performance

Cultivate next gen of (diverse) suppliers (e.g., trainings)

Case studies



Products for people with disabilities

AssistiveTouch: enable users with upper body disabilities to navigate Apple Watch features
Eye-tracking enabling full iPad control only with a user's eyes



KAISER PERMANENTE.

Launched "Virtual Plus care plan" app to deliver accessible, equitable care during COVID-19
Connect members to non-medical community programs (e.g., housing)
Support 2,000+ businesses owned by the underrepresented

2.4 Use ESG expectations to drive change: revisit DEI KPIs, make visible commitment to bold action, and advance advocacy

Scan code or [click here](#) to learn more



Case study



- DIE&B³ Roundtable to act as a catalyst for change
- Strong advocate for public policies e.g., Equality Act
- Justice by Design⁴ to build equity in product design
- Developed products supporting financial security
- Supplier diversity program⁵ assists in supplier certification, factoring DEI in scoring, etc.
- Track net disposable income and set targets for workforce

56% Of workforce identified as diverse^{5,6}

Revisit KPIs to set clear goals

Take bold transparent action

Advance advocacy agenda

Internal

Define what “good” looks like¹
 Maintain focus on demographics in recruitment, yet go beyond – **measure long-term inclusion indicators**²
Expand metrics across employee life cycle; tailor to each new “community”

Appoint chief diversity officer
 Ensure senior leaders are champions
Allocate sufficient resources, capital, and innovation focus to DEI

Educate employees on social issues
Go beyond donation-matching, provide additional stipends for giving
 Use ESGs to **recommend and vet causes** deserving of employee-support

External

Connect KPIs to **broader set of business & societal impact goals**
 Embed external DEI KPIs in all leaders' **pay & benefits**
Establish transparent, specific criteria for assessment

Identify **DEI areas relevant to you**
 Report metrics **to hold leaders accountable**
 Don't let the external narrative jump ahead without **strong action plan**

Become **vocal advocate for social change** in public forums
 Build coalitions to convene with **peers to drive sustained impact at scale**
 Set up the **infrastructure to facilitate change** (e.g., think-tank partnerships)

1. E.g., via staff-wide survey/diverse focus groups; 2. E.g., retention, advancement; 3. Diversity, Equity, Inclusion & belonging; 4. Approach to designing product experiences with a justice lens in the product development lifecycle and a playbook for inclusive & diverse illustrations in branding; 5. Defined as global women and ethnically diverse men; 6. As of Dec 31 2021; Source: BCG experience; PayPal; web search

Glossary | Diversity, Equity, and Inclusion

Diversity

Driving representation of various demographic and identity groups inside the organization so that employees from diverse backgrounds are represented and successful across functions, geographic areas, and seniority levels.

Equity

Ensuring equal opportunity and comparability in outcomes for all. Leveling the playing field by supporting underrepresented staff to provide the same opportunities for career advancement as majority-group employees.

Inclusion

Creating a work environment in which all staff feel valued and empowered to bring their authentic selves and true perspectives to light at work, and feel psychologically safe to do so. Ensuring all staff have positive and supportive workplace experience.

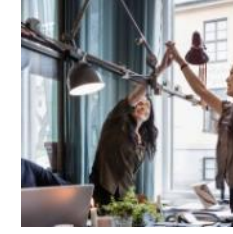
Additional perspectives on Diversity, Equity, and Inclusion



[Amplified Calls for Racial Equity Need Amplified Responses](#)



[It's Time to Reimagine Diversity, Equity, and Inclusion](#)



[Inclusive Cultures Have Healthier and Happier Workers](#)



[Reinventing Gender Diversity Programs for a Post-Pandemic World](#)



[A New LGBTQ Workforce Has Arrived—Inclusive Cultures Must Follow](#)



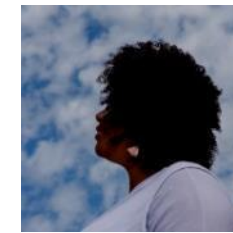
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