



DE&I: More Important Than Ever in Times of Crisis

GERTIE FIND LAERKHOLM, ASGER THOMSEN, TRINE FILTENBORG DE NULLY, SARAH VAN MIEGROET, LOUISE ARILD, CHRISTINE MERING AND FREDERIK LAUSTSEN

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This report was made in advance of the 8th Gender Diversity Roundtable (GDR). The GDR, hosted by UN Women and Boston Consulting Group (BCG), is a coalition of leaders from the private sector, academia and civil society working to create a more diverse, equitable and inclusive Denmark.

Abstract

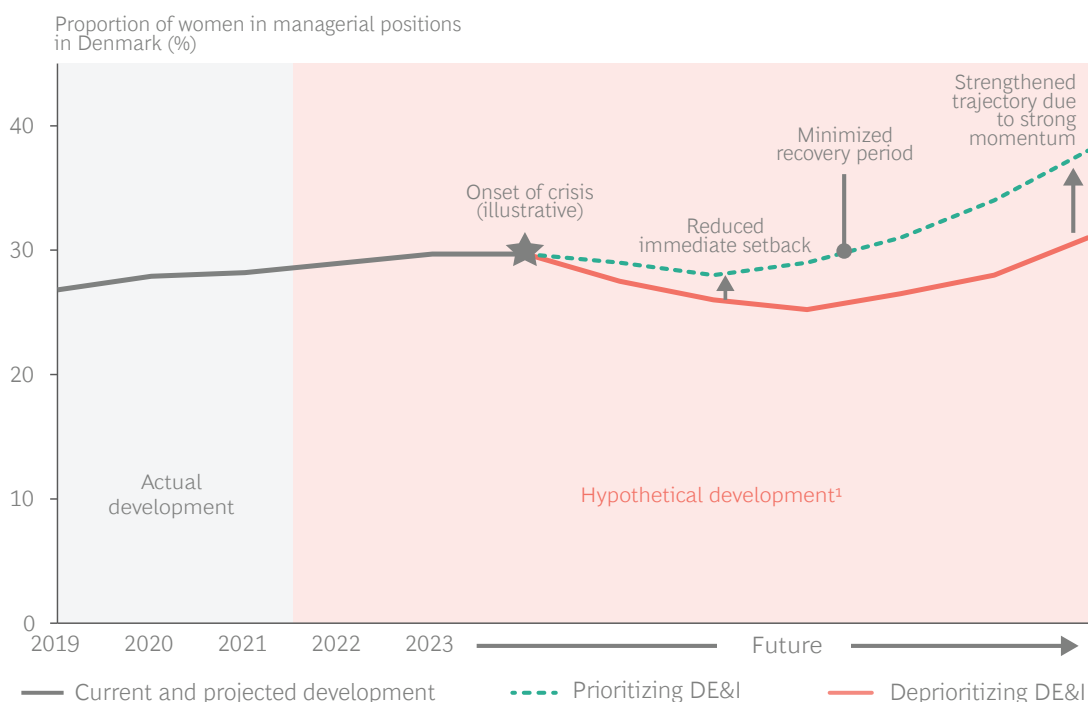
During economic crises, businesses often focus on short-term priorities such as cost efficiencies¹. In the face of global economic uncertainty, a potential shift in company priorities may result in lost momentum on the Diversity, Equity, and Inclusion (DE&I) agenda, potentially leading to multiyear setbacks on DE&I (see Exhibit 1). In fact, 7 out of 10 DE&I leaders* among large Danish companies expect a potential economic downturn to negatively affect DE&I in their company, resulting from, e.g., reduced DE&I budgets and less executive focus². In addition, redundancies that are often induced by a period of recession are evidenced to disproportionately affect women, potentially compounding any existing gender inequalities³.

DE&I should never be viewed as an “optional” topic for companies, but rather a business imperative,

having been linked to better financial performance and competitive advantage⁴. Therefore, even in crises, companies should continue to protect DE&I in the following ways:

- » Sustain effective DE&I initiatives including parental programs and flexible working models and encourage employees to use them
- » Strengthen leadership commitment to DE&I and secure an inclusive work environment
- » Start incorporating the DE&I lens when making (potential) redundancies, as in hirings, facilitated by improving transparency and measuring impact

Exhibit 1: Illustration of potential long-term impact of deprioritizing DE&I on gender diversity across Danish companies



1. 2022 and 2023 numbers are projected from 2019-2021 development in DK (2.6% CAGR). The drop from onset of crisis is hypothetical but based on the 15% decrease seen between 2007-2010 in % of women in senior roles in the U.S. retail and wholesale trade industry. Source: OECD.stat (2019-2021); Diversity, Equity and Inclusion Still Matter in a Pandemic (BCG); BCG analysis

*Defined as DE&I managers, junior and senior HR managers, chief human resources officers and other roles involved in DE&I

Danish companies are progressing on DE&I – but economic downturn may put efforts at risk

Among surveyed DEI leaders from large Danish companies, 79% rank their company at least 8/10, where 10 is “frontrunner”, on company efforts put into DE&I (e.g., amount of time and funds allocated), and 65%

expect more attention from management in 2023 relative to 2022² (see Exhibit 2). That said, much work remains. For example, in 2021, only 28% of managerial positions in Denmark were held by women⁵.

Exhibit 2: DE&I efforts over time according to DE&I leaders in Denmark



Source: BCG 2023 survey on DE&I in Denmark in economic downturn (n = 57)

1. Reflects the proportion of respondents ranking their company at least 8/10 when asked “How would you rank efforts put into DE&I at your company now (2022)? (e.g., the amount of time and funds allocated to DE&I in your company)”

Clouds on the horizon

On the back of a global pandemic, war in Europe, an energy crisis, and inflation, many experts anticipate an economic downturn forcing company executives to adapt to a new reality. During times of crisis, short-term priorities such as reducing costs have historically risen on the list of executives’ priorities, putting DE&I progress at risk. In fact, 7 in 10 surveyed DE&I leaders from large Danish companies expect a potential

economic downturn to negatively affect DE&I, with 37% anticipating reduced leadership attention as one of the biggest risks to DE&I in the next three to five years². That said, none of these respondents expect a decrease in management attention to DE&I in 2023, indicating that this year may not be considered “the year of the fall”.

Economic downturn may hurt women disproportionately

Redundancies are often a harsh reality during times of economic downturn and have historically slowed DE&I progress at many companies¹. For example, in Italy, three times more women than men lost their jobs in the 2020 COVID-19 pandemic⁶, and in the U.S.,

the share of women in management fell by 4% in the industries most impacted by the 2008 financial crisis¹. The vulnerability of women during economic crises may be caused by two key factors:

1 Women are at higher risk of being made redundant

Redundancies are often based on one or more of three criteria: **function**, **position**, and **tenure**:

- » **Function:** The first wave of redundancies typically targets support functions that do not directly contribute to generating revenue, such as HR, marketing, and administrative support. Indeed, 65% of DE&I leaders² recognized one or more support functions* as most likely to be the target of headcount reduction.
- » **Position:** Low-authority positions are typically at higher risk of being made redundant, meaning that non-managerial positions may be overrepresented among redundancies⁷.
- » **Tenure:** Many companies follow the “last hired, first fired” approach, leaving employees with lower tenure at higher risk of being made redundant³.

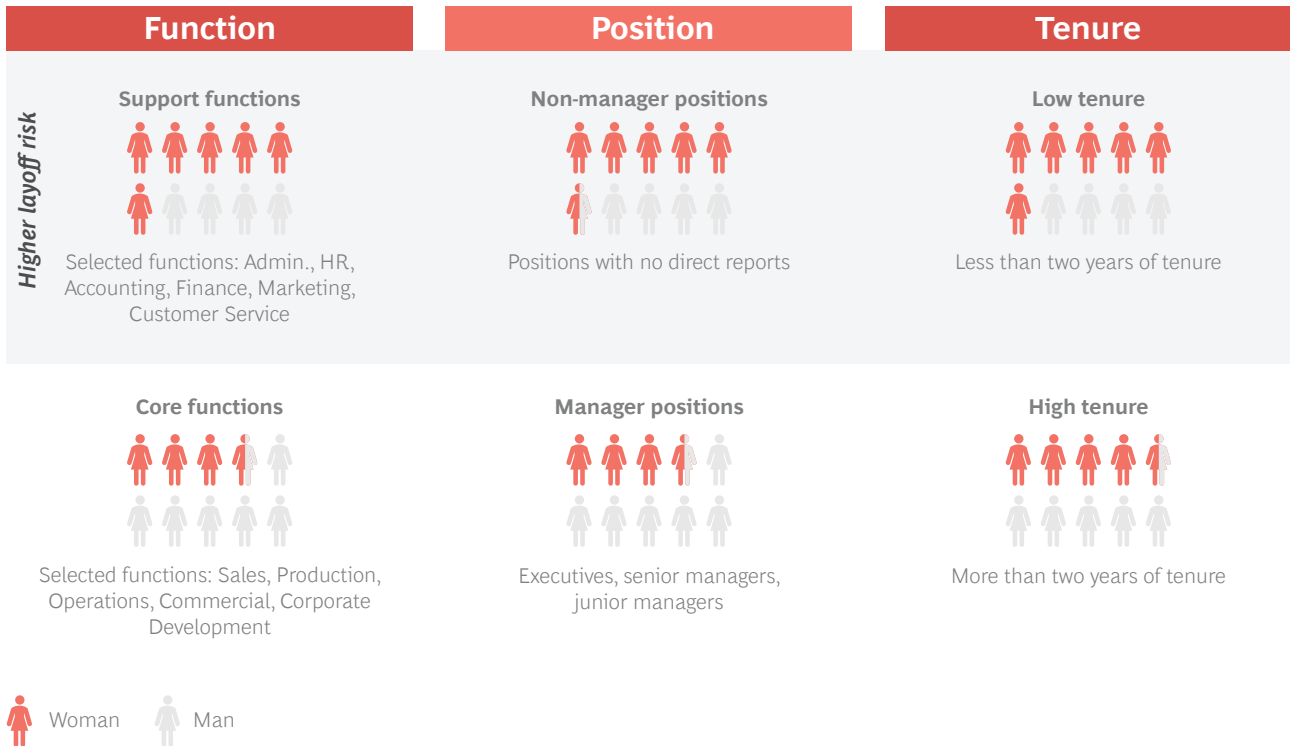
Across all three criteria, women are typically overrepresented, putting them at higher risk of being made redundant than their male counterparts (**see Exhibit 3**). Thus, companies basing redundancies on these three factors may unconsciously end up targeting women.

*Based on functions included in the survey - support functions include finance, IT, administrative and support, HR, accounting, purchasing, legal, R&D and marketing.



Exhibit 3: Example representation of men and women in large Danish companies across function, position, and tenure

Based on analysis of employees from large Danish companies (n = 459)



Note: The above representation is based on analysis of survey data sampling only companies with 1000+ employees.
 Source: BCG Diversity and Inclusion Assessment for Leadership (DIAL) Global Survey, 2022 (global n = ~27,800; in Denmark n = 459)

2 Higher risk of voluntary leave among women

During a recession, women are more likely than men to voluntarily leave their jobs¹. One explanation could be caregiving responsibilities at home, as seen during the COVID-19 pandemic⁸. Higher voluntary attrition may also be caused by lower levels of inclusion and well-being at work. For example, during an economic downturn, activity along the talent pipeline, including promotions, often slows¹. Fast decisions are made, and perceived bias may leave women more inclined

to resign, being one of the top factors correlated with retention risk among employees⁹. Additionally, research shows that women typically have less positive work experiences than their white male counterparts, and that their work experiences are more negatively impacted by restructurings such as redundancies¹⁰. This too may leave women at higher risk of voluntary leave.

Leaders must recognize that DE&I is crucial in times of crisis

DE&I has been positively linked to innovation, talent attraction, retention, and employee satisfaction and motivation. These factors not only support growth, but also improve corporate resilience during economic downturn. That said, the value of DE&I rests not only on having a diverse workforce, but also on having an inclusive workplace. Without the latter, diversity cannot thrive.

Generally, companies with above-average diversity in their leadership teams have been found to operate with EBIT margins that are 9 percentage points higher than those of companies with below-average diversity in leadership¹¹. Three factors may contribute to this:

- » **Increased levels of innovation:** Companies with more diverse leadership¹¹ teams report higher innovation revenue
- » **Better decision-making:** Teams that have inclusive leaders are 20% more likely to say that they make high-quality decisions¹²
- » **Improved talent attraction:** 76% of the global workforce believes that diversity is a critical factor when considering employment⁹

During a period of crisis, the value of DE&I is even clearer, as evidenced by the 2007-2009 recession, when the S&P 500 index declined by more than 35%, but the stocks of inclusive companies increased by 14%¹. Furthermore, diversity in leadership fosters efficiency: in ratings of leadership effectiveness, women were perceived as more effective leaders than men both before and during the COVID-19 pandemic¹³. Thus, deprioritizing DE&I when times are tough may not only reduce a company's ability to recruit diverse talent but may also threaten its ability to withstand a crisis.



Companies must sustain DE&I initiatives, strengthen leadership commitment, and start incorporating DE&I into potential redundancies

Given that commitment to DE&I is even more important during a crisis, companies must at least maintain DE&I budgets and efforts at the same level - if not higher. The importance of investing in DE&I is emphasized by the findings of BCG's Global Diversity Survey 2022. Among respondents in Denmark, a high DE&I investment level (defined as a large number of company DE&I initiatives) is positively correlated with promotional ambition, feeling enabled to reach one's full potential at work, and self-reported motivation among *all* employees¹⁴. It is therefore concerning

that almost half (42%) of surveyed DE&I leaders from large Danish companies consider reduced budget to DE&I initiatives, caused by economic downturn, as one of the biggest risks to DE&I in the next three to five years².

To maximize the value of DE&I during crisis, companies should **1) sustain** effective DE&I initiatives, **2) strengthen** leadership commitment to DE&I, and **3) start** incorporating the DE&I lens into redundancies as done in hiring (see **Exhibit 4**).

1 Sustain effective DE&I initiatives, including parental programs and flexible work models

Businesses can choose to implement a variety of DE&I initiatives, including anti-discrimination policies, employee networks and equal parental leave. Among Danish employees, flexible working models and parental programs, including fully paid parental leave and policies to facilitate re-entry after leave, are the initiatives most frequently considered effective (more than 70% of all respondents who say these initiatives

exist at their company, consider them effective)¹⁴. Thus, companies should ensure that these initiatives are sustained in economic downturn, or implement them if not already done. Companies must also signal that taking advantage of such programs does not have repercussions - and especially in times of crisis, where employees may feel that being on e.g., a flex program can hurt their career.



Parental programs are non-negotiable – and involve more than paid leave

While Denmark has one of the world's most generous parental leave policies¹⁵, that generosity still varies by company. In addition, DE&I initiatives aimed at parents should expand beyond paid leave to include programs, policies, or facilities that help with re-entry after parental leave, such as opting out of work-related travel¹⁶.

There are clear benefits to paid leave and parental re-entry programs:

For employees, these initiatives create a more equitable and inclusive workplace and are especially valuable during an economic downturn as they may reduce financial stress among parents.

For companies, providing these initiatives can aid talent retention and attraction, and can boost energy for improved performance at work among employees¹⁶.

Flex models are an effective way to access diverse talent

A variety of flex models exist such as remote/hybrid work, flexible hours, and reduced capacity. The adoption of flex models was catalyzed by the COVID-19 pandemic, and there is broad consensus among Danish employees on their effectiveness in improving DE&I¹⁴.

During an economic downturn, flex models are beneficial for several reasons:

For employees, flex models can reduce emotional and financial stress as well as increase productivity by accommodating employees' individual needs and commitments (e.g., caregiving).

For companies, flex models can help avoid redundancies by offering part-time positions as an alternative. Flex models also provide access to a more diverse talent pool.

It's important to note that structural programs such as these, which cater to the functional needs of employees, are only impactful if emotional needs, such as feeling valued and respected, are supported as well¹⁷.

2 Strengthen leadership commitment to DE&I

Feelings of inclusion are highly correlated with feelings of authenticity, and globally, employees who feel they can be their authentic selves at work have been found to be not only happier and more motivated but also nearly 2.4 times less likely to quit¹⁸. Global BCG research has found that leadership behaviours directly drive more than two thirds of the overall level of inclusion¹⁸:

» Having a diverse senior leadership team committed to DE&I

Explicit senior leadership commitment to DE&I as well as diversity among the leadership team itself are central for an inclusive workplace. Where the executive leadership team is considered committed to DE&I, almost 9 in 10 employees in Denmark say they feel valued and respected at work¹⁴. In addition, diversity among the top management team itself has been positively linked to feelings of belonging and authenticity at work¹⁴.

» Building safe team environments through direct managers committed to DE&I

Direct managers play a critical role in fostering employees' feelings of inclusion and psychological safety by creating an environment where employees feel safe to speak up and challenge ideas - all of which are particularly vital during crisis. Managers' support efforts should therefore be particularly evident during an economic downturn when redundancies and voluntary leaves are common. For example, managers can choose to conduct "stay interviews" as a measure to pre-empt the traditional exit interview, asking direct reports how they are doing with the aim of boosting morale and possibly reducing attrition¹⁹. In case of resignations, managers should discuss alternatives such as flex models. If they don't, they may risk an outflow of women from the organization.

3 Start incorporating DE&I in redundancies, just as in hiring

DE&I should be considered when making redundancies, just as it often is in talent acquisition, to ensure that any gains in company diversity are not wiped out. The first step is to consider alternatives to layoffs to maintain diversity and reduce the costs of re-hiring. One option is utilizing temporary reduced capacity working models, another is redeploying talent in other parts of the organization. Regardless, a prerequisite to incorporating a holistic DE&I lens both in hiring and when making redundancies is collecting all relevant employee data, including race, education and age.

When crisis kicks in

If layoffs are still required, companies must be mindful of biases when making redundancies. First, companies should keep track of DE&I metrics, analyzing the impact on gender diversity (and other minority groups) and consider adjusting plans in the event of a disproportionate outcome¹.

Second, reviewing individual performance rather than an employee's position and tenure has been found to be a more equitable approach to identify

candidates for redundancies, as this facilitates a more in-depth evaluation of each employee – in fact, there is evidence that this leads to no reductions in diversity³. A selection committee responsible for identifying the people to lay off, avoiding favoritism and unconscious bias, should be considered.

When redundancies are inevitable, leaders should play an active role in making sure that employees who are dismissed move on as painlessly as possible, for example by installing outplacement services, including career coaching and networking events, to help them find their next job. Doing so may reduce the currently disproportionate time needed for women to find a new job⁷.

Furthermore, in times of crisis, companies should track metrics across demographic groups more frequently to gauge changes, including employee engagement levels, attrition, pay and bonus gaps. What's more, leaders should be held accountable to these metrics.

Exhibit 4: DE&I checklist for company leaders during crisis

Sustain and strengthen what you do today:

- ✓ **Maintain effective DE&I initiatives and support employees in making use of them:**
Sustain (or implement) initiatives such as flex and parental programs, and emphasize that it is okay to make use of these
- ✓ **Show DE&I commitment:**
Show that you are genuinely committed to DE&I and foster a psychologically safe work environment
- ✓ **Check in with your team:**
Ensure that you connect frequently with your team and show support - especially to those that appear to need it the most

Start integrating a DE&I lens if you need to make redundancies:

- ✓ **Analyze DE&I impact:**
Before making redundancies, analyze what the impact will be on diversity representation in or across teams
- ✓ **Assess individual performance when making redundancies:**
Consider employee performance reviews rather than position and tenure to reduce potential bias in dismissals
- ✓ **Control your outflow of voluntary leave:**
Look out for voluntary leaves and consider alternatives to making redundancies like flex work or other positions
- ✓ **Support employees that are let go:**
When dismissing an employee, show that you care and help them on to their next job

Source: BCG

Last words

In times of crisis, company leaders are responsible for protecting their businesses, to help them weather tough times and come out stronger on the other side. This, however, cannot entail disregarding the potential long-term effects of short-term protective actions.

The advice put forward in this report is targeted at companies leading in DE&I as well as those at the beginning of their DE&I journey. Companies leading in DE&I should focus on maintaining current initiatives and doubling down on leadership commitment to DE&I. For companies beginning their DE&I journey, focus should be on implementing effective initiatives and laying the foundations for inclusion. All companies should actively include DE&I considerations in layoff processes.

Crises will continue to happen in the future. They may vary in length and type, but they will all test the resilience of businesses. DE&I has been directly linked to the overall success and performance of companies, particularly in times of crisis. As such, DE&I is a business imperative – but above all, it is a moral imperative.

“Organizations with strong DE&I policies and initiatives tend to weather economic downturns better than those who don’t. Remaining committed to our DE&I focus during difficult times is important, as this can be the key to long-term success”

— Quote from HR manager in Denmark

About the authors



Gertie Find Laerkholm

Gertie Find Laerkholm is a Managing Director and Partner at the Copenhagen office of Boston Consulting Group (BCG). Gertie is BCG’s DE&I lead in the Europe, Middle East and Africa (EMESA) region and also leads BCG Copenhagen’s internal efforts to enhance representation, equity and inclusion of women. Further, Gertie co-hosts the Gender Diversity Roundtable with UN Women. For more information, you may contact her at Laerkholm.Gertie@bcg.com

Co-authors

Asger Thomsen, Trine Filtenborg de Nully, Sarah Van Miegroet, Louise Arild, Christine Mering and Frederik Laustsen

Methodology

This report draws on external sources as well as two BCG surveys: **1)** BCG’s 2022 Diversity and Inclusion Assessment for Leadership (DIAL) Global Survey, surveying full-time and part-time employees from mid-large companies across industries in 16 countries (global n = ~27,800 respondents, in Denmark n = 459 respondents), and **2)** BCG’s 2023 survey on DE&I in Denmark in economic downturn, surveying DE&I leaders (including DE&I managers, HR managers and CHROs) (n = 57).

This report focuses primarily on DE&I in relation to women but recognizes that this subgroup should be perceived as only one aspect of the DE&I agenda. All employee characteristics, including race, ethnicity, religion, disability, and sexual orientation, should be considered when developing a DE&I strategy. In addition, an intersectional lens, recognizing that multiple identities are not siloed but rather interact to form distinct experiences (e.g., gender and race), should always be applied to DE&I strategies.

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