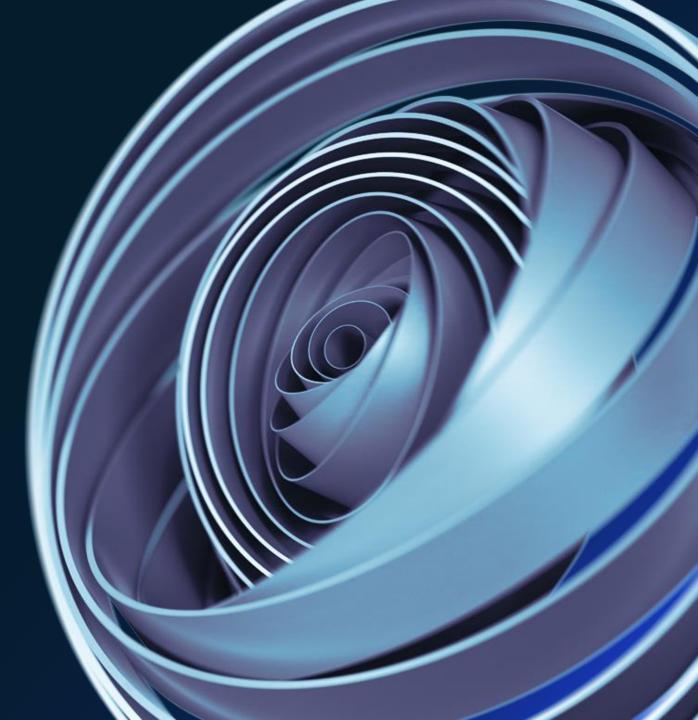
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Strengthening Diversity, Equity, and Inclusion



What is diversity, equity and inclusion?

Having a diverse workforce is no longer an option, but a necessity to navigate the future of work





Rise in social justice movements globally shifting expectations of employers to reform and action on their DE&I strategy



Shift in nature of work, with simple tasks being automated and thereby creating a need for more diverse skillsets (e.g., higher cognitive, technological, and socioemotional skills)



Surge in virtual work due to COVID-19, opening up talent pools that were previously unavailable

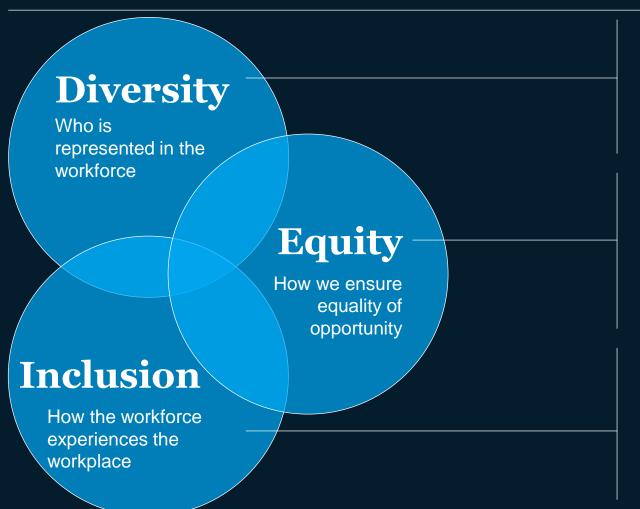


Increase in demands for accountability with customers championing organizations that engage in ethical behaviors, while also criticizing those that don't

Addressing and responding to Diversity, Equity, and Inclusion requires an understanding of all three dimensions



The conversation has advanced from only Diversity to encompass both Equity and Inclusion



+36%

Companies with ethnically diverse executive teams are 36% more likely to outperform less diverse organizations^{1, 4}

+25%

Companies with gender diverse executive teams are 25% more likely to outperform less diverse organizations^{1, 4}

3x

Employees who perceived that their organization offers both opportunity and fairness are 3x more likely to stay and 3x more likely to recommend it⁵

52%

Of employees of color, 52% will not work for a company that fails to speak out to on addressing racial inequality⁶

7X

Employees are seven times more likely to report their organization is high-performing if it's inclusive²

39%

Of global job seekers, 39% have turned down or decided not to pursue a job opportunity because of a perceived lack of inclusion³

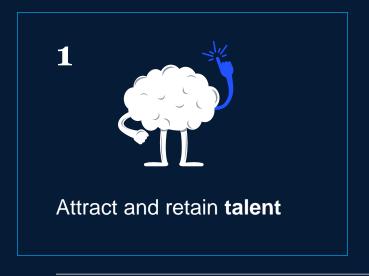
- 1. Ethnicity defined as all non-White ethnicities. In the US, also includes Hispanic and Latino of any race
- 2. McKinsey Org Practice Inclusion Assessment validation research

Why does it matter?

Research points to five ways that Diversity, Equity, and Inclusion impact performance

5 ways inclusion and diversity impact performance:

Zoom next pages





decision making





Drive employee motivation and satisfaction



Enhance a company's global image and license to operate

As the workforce changes, diversity and inclusion is becoming a must have

Employees under 30 are particularly focused on diversity and inclusion





Younger employees are almost 2x more likely to raise the need for diversity and inclusion than older employees¹

Younger employees are more likely to see bias in the workplace than older employees¹

Compares employees in middle-management under the age of 30 to employees in middle-management between the ages 50-60

2: How diverse leadership can help

Collective **group IQ rises**, when more female members are added

New Product teams in high tech companies diverse in function and tenure produced higher quality technical innovations

In a complex problem solving study, diverse teams had a 60% (vs. 29% for homogenous team) chance of a correct result

Gender diverse companies are 25% more likely to outperform less diverse companies

Ethnically diverse companies are 36% more likely to outperform less diverse companies

Divergent thinking unleashes the full potential of teams by counteracting their individuals' biases

3: Diversity is increasingly prominent in today's economic environment



Women control, create, or influence 20% of the world's Investable assets ...





Ethnic minorities
predicted to become
majority groups
within 30 years...



 Expected to rise to 20-30% of the population by 2050



Global LGBT
community earns
\$4.6 trillion
annually



• In the UK LGBT individuals spent £70 billion in 2017

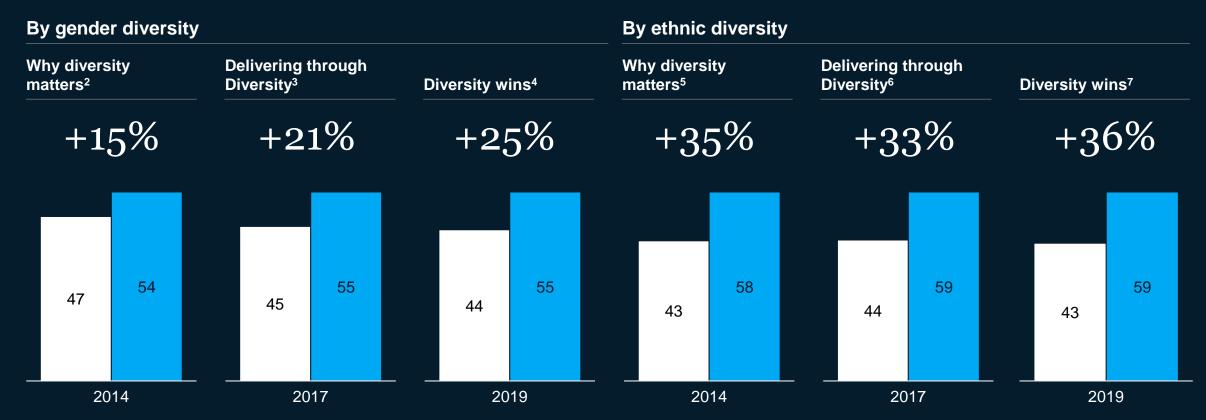


Neuro-minorities
represent ~10-20%
of the total
population ...

 JP Morgan reported that after 3-6 months, the productivity of workers with autism was 50% higher than others after 3 years

Companies that invest in diversity outperform their competition

Likelihood of financial outperformance¹, %³



- '1. Likelihood of financial outperformance vs the national industry median; p-value <0.05, except 2014 data where p-value <0.1.
- 2. n = 383; Latin America, UK, and US; earnings before interest and taxes (EBIT) margin 2010-13.
- 3. n = 991; Australia, Brazil, France, Germany, India, Japan, Mexico, Nigeria, Singapore, South Africa, UK, and US; EBIT margin 2011-15.
- 4. n = 1,039; 2017 companies for which gender data available in 2019, plus Denmark, Norway, and Sweden; EBIT margin 2014-18.
- 5. n = 364; Latin America, UK. and US; EBIT margin 2010-13.
- 6. n = 589; Brazil, Mexico, Singapore, South Africa, UK, and US; EBIT margin 2011-15.
- 7. n = 533; Brazil, Mexico, Nigeria, Singapore, South Africa, UK, and US, where ethnicity data available in 2019; EBIT margin 2014-18.

Source: Diversity Wins data set

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What can organizations do?

Addressing inclusion requires an organization to first understand it

Organizational-level Inclusion



Acceptance

Employees value and embrace diversity



Individual-level



Authenticity

Individuals feel encouraged to be themselves and speak up at work



Affiliation

Employees have strong bonds and work together toward shared goals



Belonging

Individuals feel connected to others at work



Fairness

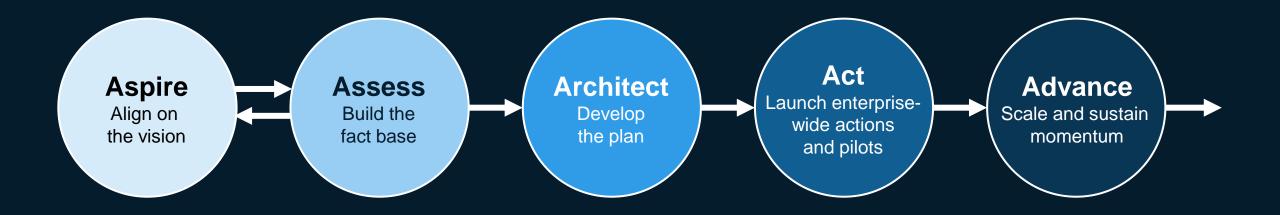
Employees receive equitable treatment and have a fair chance to succeed



Meaningful contribution

Individuals feel their talent is valued, nurtured, and fully applied to drive company success

There are five stages in a proven journey companies are taking to transform Diversity, Equity, and Inclusion



Common pitfalls across the 5As of DE&I...



No clear goals or arbitrary goals set without understanding underlying DE&I challenges or leadership conviction



Not enough analytical rigor behind current understanding and/or goals for inclusion, in addition to diversity and equity



Letting "one thousand flowers bloom" with no plan to learn and prune



Thinking **training is a "cure-all"** vs. part of a broader solution set



DE&I becomes a "flavor of the month," not owned and consistently advanced by a broad set of leaders

...compared to actions best-inclass organizations take

Set specific, bold but credible goals, taking into account organization-specific and/or geographic context

Run surveys, focus groups, and/or interviews to capture how included employee's feel today and how the organization could improve inclusion and belonging

Strategically prioritize interventions including quick wins and long-term "game changers" that shift how work gets done on a business unit and/or organizational level

Build capabilities as part of a broader, holistic action plan and **empower people across the organization** to own and drive change

Drive accountability by standing up governance model tailored to how the organization runs, monitor key indicators regularly and course-correct as needed

To avoid pitfalls, organizations should take key actions during each stage of the 5As of DE&I transformation

Interventions crafted in Architect Aspire and Assess are often done in should directly tie to Aspire and parallel or iteratively, as each informs Assess the other Act **Architect** Advance **Aspire** Assess Launch enterprise-Scale and sustain Develop Align on Build the wide actions the vision fact base the plan momentum and pilots

Define and commit to DE&I aspiration

- Define and commit to a tangible aspiration
- Communicate aspiration, starting with senior leader champions
- Establish a robust responsibility and governance approach

Diagnose areas of opportunity

- Assess the current state qualitatively and quantitively
- Compare company to best practices
- Build company-specific business case linked to strategic priorities

Develop roadmap and KPIs

- Design portfolio of interventions linked to specific objectives; prioritize based on ease and impact
- Develop a plan for implementing pilots and enterprise-wide initiatives

Test and learn with quick-win and long-term programs

- Launch enterprise-wide initiatives and prioritized pilots with BUs/functions/ geographies
- Learn and adjust ahead of future scale-up

Build on success and track progress

- Scale efforts, tailoring to specific contexts as needed
- Build progress monitoring and leader accountability into regular management routines
- Share learnings to celebrate success and sustain momentum

We are seeing the emergence of leading DEI practices

Not exhaustive





Over the years we have seen certain DEI policies become 'table stakes':

- Tracking DEI data
- Providing unconscious bias training
- Offering benefits, including healthcare, mental health support, bereavement support, or paid sick and family leave
- Providing career development



Leading policies

Top performing companies differentiate themselves through several 'leading' policies:

- Setting DEI goals and holding leaders accountable
- Training managers on fostering diverse, inclusive and hybrid teams
- Offering leading benefits
- Implementing targeted sponsorship programs

Next horizon practices

We are also seeing the emergence of some 'next horizon' DEI policies:

- Tracking outcomes for remote, hybrid and onsite employees
- Linking progress on diversity to financial incentives
- De-biasing core processes like recruiting and promotions

Note: Table stakes are practices offered by ≥75% of 2022 participants. Leading policies are less standard (e.g., offered by < 75%) and are more prevalent in companies that have both improved women's representation and outperformed their industry from 2019 to 2022 when compared to other companies with data from the same time period. Next horizon practices are those implemented by (< 30% participants in 2022) but are emerging with promising early results