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Committing to DEI goals

Shifting beliefs and orthodoxies

Contents

Introduction

Over the past few tumultuous years, many CEOs and senior business leaders saw diversity, equity, and inclusion (DEI) rise to the top of the business agenda. The #MeToo movement, the COVID-19 pandemic, and civil rights protests following the murder of George Floyd all helped to highlight some persistent inequities and spur new conversations with the C-suite. Many employees and consumers encouraged bold action, making it clear they expect the companies they work for and support to advance equity—both inside and outside the organization—and contribute to systemic change.

How might this change as the economy fluctuates? The 2022 Fortune/Deloitte CEO Survey suggests organizations continue to make steady progress on DEI, and some are taking extraordinary steps to reinforce their commitments to equity. To make those commitments count, however, it is critical for business leaders and their teams to assess DEI goals, calibrate their ambitions, and plan for long-term organizational resilience.

Rising to the challenge: Renewing commitments

In our paper, ***The equity imperative: The need for business to take bold action now***, Deloitte challenged business leaders to take a hard look at organizational culture and outlined the ways bold action and pragmatic steps can help drive systemic change. The 2022 Fortune/Deloitte CEO Survey shows some real progress on this front.

From the survey, 92% of CEOs indicate DEI has been built into their strategic priorities and goals—a leap forward from 61% in June 2021 (figure 1). Seventy-one percent of the CEOs we surveyed say DEI has been incorporated into their overall corporate strategy and is not just a feature of their talent strategy; that percentage, too, is up from 50% in June 2021.

There is now more high-level accountability than ever before: Whereas 49% of CEOs in 2021 reported that their board expected regular updates on DEI progress, now 71% are expected to report.

About the same proportion, 72%, are furthering transparency by disclosing DEI metrics to employees; about half of those surveyed are now disclosing DEI metrics to the public. Progress has been slower when it comes to evaluating performance, with about a third of the CEOs surveyed (36%) reporting that DEI goals are linked to individual performance and pay. That number is only slightly up from last year, perhaps indicating an area where organizations have yet to adopt ways to gather the appropriate data and introduce measures of accountability (figure 1).

Overall, the survey results show businesses have made advancing DEI—inside and outside organizations—a high priority. The main uncertainty is whether this level of prioritization will survive an economic contraction or pessimism about the economic outlook. According to the Fall 2022 Fortune/Deloitte CEO Survey: 76% of CEOs say they are pessimistic about the global economy over the next 12 months (but they are significantly more optimistic about the prospects for their own industries and companies). Clearly, much hangs in the balance.

Figure 1. Practices related to DEI have increased over the past year

Note: CEOs were asked to select all that apply

Overturning orthodoxies: Strengthening commitments

Like any survey, the 2022 Fortune/Deloitte CEO Survey offers a snapshot of a particular moment in time, and perspectives may change as the landscape shifts. Even so, the results of the survey show that a growing number of business leaders are seriously committed to DEI goals, and the changing economic outlook does not appear to have shaken those commitments. That is a compelling finding.

As outlined in *The equity imperative*, "organizational culture is 'the way we do things around here'—the sustained patterns of behavior supported by an organization's shared experiences, values, and beliefs." An organization's conventional thinking could lead business leaders to abandon DEI goals as the economy slows. The contraction of the economy might lead fiduciaries, CEOs, and boards to believe they must only focus on what have traditionally been considered more strategic issues for growing a business. For example, geopolitical and economic uncertainty may be top of mind. Supply chains are still snarled, inflation is high globally, interest rates are rising, and markets are volatile. If companies are focused on workplace issues, they are likely to be focused on talent issues and the possible contraction of their workforce.

Flipping orthodoxies

Organizations should challenge orthodoxies—unstated assumptions that go unquestioned—that are embedded into their culture and that sometimes get in the way of pursuing equity.

"Equity is important, but we have a lot of demands for our attention and resources, and we need to focus on our business."

An underlying assumption is that "the business" is separate from and not affected by inequity in every facet of that business, or that driving equity and growing or sustaining the business are mutually exclusive. It ignores the many strong connections between "the business" and the changing context within which that business operates and that the long-term success of any business depends on its ability to adapt successfully to new and evolving environments.

Shifting this belief can enable organizations to identify, plan for, and address the short- and long-term impacts of inequity in all their spheres of influence and incorporate equitable practices to support the health and sustainability of the business.

Adapted from *The equity imperative: The need for business to take bold action now,* 2021 *(Please see for additional examples of common orthodoxies that impede achieving equity and how to go about challenging these.)*

Challenging orthodoxies that are likely to undermine DEI commitments will likely be necessary to staying the course. Consider the unstated assumption that suggests that DEI goals can be set aside while leaders grapple with current economic challenges. That thinking could categorize equity as a business option in good times rather than a necessary complement to business objectives.

This is short-term, zero-sum, either-or thinking—equity or growth. That false choice will only make it harder to plan and build toward strategic growth and long-term resilience. Research has shown that not only are driving equity and growing the business not mutually exclusive but following through on DEI commitments is essential to achieving growth and brand loyalty,[1] and in attracting, engaging, and retaining talent.[2] The economic benefits of achieving equity are experienced not only by individual businesses[3] but collectively at the societal level.

The 2022 Fortune/Deloitte CEO Survey results alone suggest that choosing between equity or growth is likely misguided. More than half of CEOs believe the current business community's focus on DEI outcomes is appropriate; and a solid quarter, 26%, want to accelerate efforts. A commitment to equity, it would seem, is understood to be itself a commitment to better business. Moreover, many stakeholders increasingly expect businesses to position themselves as social enterprises, and success is now more than ever frequently dependent on an organization's social impact and commitment to corporate citizenship. As such, organizations understand that an economic slowdown is likely to exacerbate social inequities and fall disproportionately on historically disadvantaged and underserved communities[4]—which, in the long run, will likely only contribute to greater instability if not addressed. Leaders who focus only on the benefits of DEI for their top and bottom lines may be more likely to deprioritize or abandon commitments during times of economic uncertainty,[5] to their own detriment, as well as to the communities of which they are part.

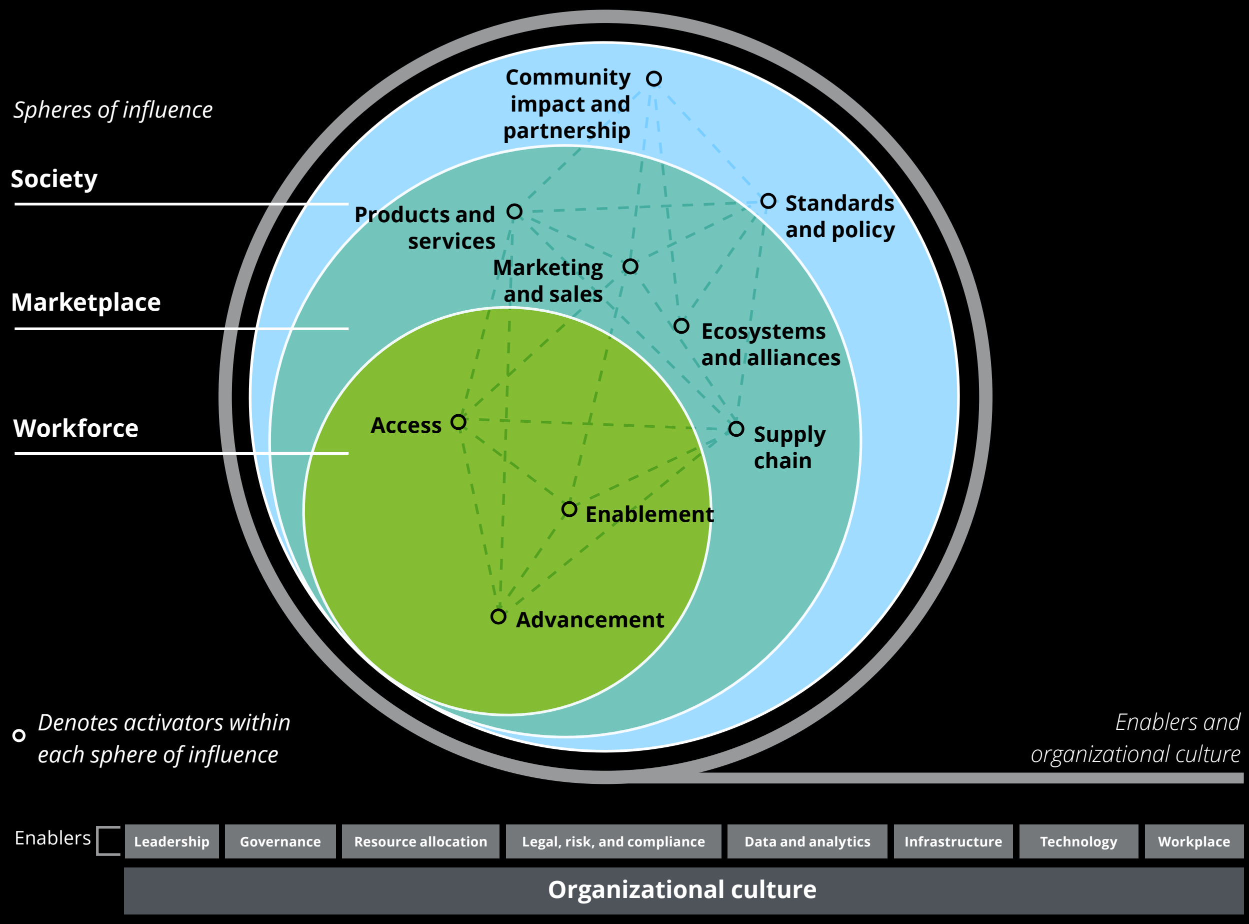
Business leaders increasingly appreciate the extent to which DEI considerations are embedded into business decisions.[6] Furthering systemic equity and belonging in the workplace remains not only critical to attracting, developing, and retaining talent, but also relevant to nearly all the business challenges organizations will face over the next year and the next decade, across the marketplace and society.[7]

A pragmatic framework: Activating commitments

How do considerations of equity inform new workplace models, guide overall strategy, differentiate companies in the marketplace, or define business purpose? And what does progress look like now, as recession fears loom and businesses plan for slower growth and long-term resilience? How can companies chart the path forward, through uncertainty? These questions demand pragmatic answers.

Whether business leaders want to hold steady on DEI gains their companies have already made or want to join CEOs in their cohort who see opportunity to do more, it will be important to get the whole executive team on the same page. The Equity Activation Model (figure 2) outlined in *The equity imperative* can help leadership teams see the big picture, assess progress, and plan new steps. It maps DEI across three distinct but interconnected spheres of influence: workforce, marketplace, and society.

Figure 2. The Equity Activation Model



Workforce

Economic uncertainty can undermine confidence among workers, especially among groups that historically bear disproportionate burdens during downturns.[8] Further investing in the talent you have, and building on and measuring the success of current initiatives, can help mitigate those concerns. The Fall 2022 Fortune/Deloitte CEO Survey highlights that 85% of CEOs believe that building trust is very important for worker motivation, followed by workforce retention (80%). Weathering an economic downturn will not only require continuing to source the best talent; by ensuring that workers feel valued, performance and retention is enhanced, providing both immediate and long-term benefits.[9]

Designing for equity throughout the talent cycle may require a more comprehensive approach. Leaders should consider the following questions:

What does the talent pipeline look like?

As per *The equity imperative*, organizations should "acknowledge the depth and breadth of the sourcing pipeline, and proactively invest in skill, curriculum, and career path development across a variety of sources that provide a racially and ethnically diverse talent pool (e.g. schools, associations, after-school programs, mentoring programs, early identification programs, and skills development programs)."[10] Additionally, it may be time to think differently about traditional recruiting pools and go beyond typical channels and processes. Recruiters and leaders may need to extend beyond their current professional networks to develop new relationships with trade schools, colleges, universities,[11] and on-campus identity groups to source a more diverse set of talent from traditional sources. They may also consider revamping referral programs[12] to increase the diversity of the talent pipeline.

Organizations might explore nontraditional talent approaches, such as OneTen—whose mission is to take a skills-first, competencies-focused approach to closing the opportunity gap for Black talent—as well as professional associations and diversity recruitment specialists.[13] Seventy-one percent of CEOs responding to the Fall 2022 Fortune/Deloitte CEO Survey believe the overall talent shortage will continue. Equitable change will require organizational willingness to take new and creative approaches to attracting, sourcing, engaging, and retaining "hard to find" segments, creating sources of talent rather than relying on existing ones (e.g., developing and administering open courses and hiring talent upon successful completion), and must address existing unconscious biases and potential systemic barriers to achieving these goals within and throughout the talent cycle.[14]

How does the company identify and match talent to roles and positions to support a sense of belonging in individuals?

Fostering belonging starts with the first touchpoint—when a candidate explores your website, has an informational chat with a recruiter, or has coffee with a current employee. Being intentional about every aspect of onboarding—designing the process around significant touchpoints, or moments that matter, and aligning leaders with these intentions—can help candidates make a smooth transition into the company and ensure they feel they are a valued part of it. *The equity imperative* provides further guidance here: Review role descriptions and requirements for biased language or unnecessarily narrow criteria that may keep qualified individuals from applying, and interrogate ideas of "cultural fit" and "likability" that reproduce and reinforce the status quo. This will require unconscious bias education and real-time monitoring throughout the talent sourcing and selection process.[15]

How does the organization equitably enable people—and teams—to develop skills and capabilities, discover their strengths, grow, and thrive?

Placing candidates in roles that fit their needs and aspirations is one key to success. However, as noted in *The equity imperative*, when it comes to career advancement, we should examine how equitably the organization orchestrates experiences, capabilities, and achievements to position individuals for the next step. Interventions can include using succession as a development process to better prepare individuals for career progression, opportunities for reverse mentorship, and effective sponsorship. Access to sponsorship opportunities tailored to the needs of individuals can make all the difference for talent retention and satisfaction. When organizations educate, enable, and hold sponsors accountable, they better equip them with the capacity to support, advocate for, and create the experiences and opportunities their protégés require to enhance their visibility and networks for equitable advancement and representation in roles of power and influence.[16] To empower employees further, the Fall 2022 Fortune/Deloitte CEO Survey results suggest most organizations are allowing more flexibility and predictability (87%) and recognizing and rewarding workers who take on more responsibility (73%); however, only half (50%) are creating alternative career paths/internal mobility, and more than half (54%) believe hybrid workplace models will lead to lower employee engagement in loyalty.[17] Research has shown, however, that remote work improves the work experiences of employees of color[18] and helps mitigate traditional barriers to entry for workers with disabilities.[19] Seizing these opportunities for intervention and growth will be critical for organizations looking to increase engagement and loyalty across the workforce.

Marketplace

Consumer and investor groups are frequently assessing the integrity of organizations in the markets where they operate and exercise influence.

How do your organization's efforts result in more equitable design of and access to products and services?

A common pitfall that may be tempting as the economy slows, is the false belief that diversity and inclusion impose a quality or economic penalty.[20] To the contrary, including diverse customer perspectives at every stage of the product development cycle can often generate opportunities to expand and sustain market share, especially during challenging times.

Examples abound. A bank might translate its marketing materials to reach Spanish- or Chinese-speaking customers but only grows those customer segments when it promotes loan officers, managers, and leadership who are language-fluent and well versed in cultural nuance. A furniture maker opens new lines of business when it designs for accessibility. A cosmetics manufacturer gains a competitive edge when its products are made to serve the full range of human skin tones or to reflect changing cultural norms.

Some innovative companies proactively design products to expand access for all customer segments, address the needs of the underserved, and improve people's material well-being. These efforts can go well beyond improving customer experience and expanding sales channels. DEI considerations can inform reviews of supply chains and sourcing, help define new criteria for equitable engagement, and help companies actively develop networks of suppliers that meet and raise standards.

Society

By the summer of 2021, of the $50 billion that businesses pledged to address racial equity, only $250 million had been spent or committed.[21] Pledges can win goodwill but require follow-through to engender trust and actualize impact. It takes persistence and intentionality to build intergenerational wealth and shared prosperity.

What steps does your organization take to improve social performance, model leadership, and support communities?

Small, deliberate steps can make a big difference. There are practical opportunities to reset industry standards, constructively engage with policymakers and regulators, and expand economic opportunity for all.

Every company, big and small, has a voice, power, platform, and infrastructure that it can leverage to activate change. Building relationships (including civil-society partnerships) can often help enterprises achieve social outcomes that align with their values; greater ambitions can often be realized through collaborations across the business ecosystem to garner public-sector support, level the playing field, and broaden the scope of social and economic opportunity.

The Equity Activation Model offers several advantages. By focusing on spheres of influence, it highlights the way business decisions and actions can ripple out. Actions in one sphere can help shape and interact with those taken in others. The model is dynamic. It offers three lenses for high-level strategic review and an overall framework for human-centered organizational design. It identifies enablers or levers to drive change, from governance to data and analytics, legal, technology, and workplace. Leaders can take deliberate steps calibrated to their ambitions and organizational capacity; the model differentiates baseline actions from courageous, pathbreaking strides; identifies common pitfalls that changemakers encounter; and offers real-world examples and measures of success.

Acting across these three spheres of influence can help transform decision-making processes, mitigate risk, and reveal business opportunities. Setting goals and assessing progress in each area of influence can also help define and enact enterprise purpose—what differentiates your organization, how your people make sense of the work they do, and how your company delivers value to all stakeholders and society. And a strong, shared sense of purpose will always be key to collaboration in times of great uncertainty as well as to long-term business resilience.

The risk of recession might be changing the conversation in the C-suite. Yet DEI goals should remain a business priority. Making good on your DEI commitments will require internal alignment, the right framework for action, and accountability at all levels.

Now is the time to rigorously question orthodoxies, including misperceptions of DEI. Broadly conceived as the art of designing for equity in the system and belonging in the individual, DEI can expand talent pools and strengthen talent retention, grow the customer base, change competitive dynamics, forge new partnerships, and secure long-term enterprise sustainability.

It is also a time to renew ambition. Leaders who summon the courage and marshal the resources to take bold action for equitable outcomes can be well positioned for the future.

Appendix

Assess your DEI ambitions

A quick assessment can help leaders recalibrate DEI goals and get started on the path to renewed commitment. Below are some sample questions business leaders can review with their leadership teams. Use these questions as invitations to share stories, data, and insights among the leadership team and in stakeholder listening sessions about your organization's culture. Ultimately, addressing the root of potential barriers will enable achievement of your DEI ambitions in all spheres of influence.

Workforce
What are our priorities when it comes to talent? How do the choices we make help create a sense of belonging for individuals and equity in the system?

- Are we continuing to challenge and modify our talent experience?
- How do we develop and grow new leaders, and what are we doing at the corporate and team levels to remove barriers to advancement?
- What does our leadership pipeline look like, and what opportunities do we have to improve leadership succession?

Marketplace
How does our organizational culture allow us to differentiate ourselves, identify new marketplace opportunities, and improve the business ecosystem?

- What steps are we taking to improve the customer experience? Who sees—and serves—the customers we don't?
- How are we assessing equitable outcomes in our partnerships, alliances, and supplier relationships, and would we benefit from participating in associations and networks?
- What is my role, as a leader, in helping the organization rethink product development, reach an underserved customer segment, or establish models and standards for partners and the industry?

Society
What are we doing now to meet the demands of our workers and customers to help address social inequities, and how can we best challenge norms, rules, and social practices that are inconsistent with our values?

- How do we advocate for change, and how do we enable our people to do it? How might this advocacy advance the purpose of our organization?
- How are we investing in the communities where we live and work, and what near-term and sustainable opportunities and benefits do those investments create?
- Who should we partner with to help us realize our ambitions? What are we doing to form alliances for change with other organizations that share our values and goals?

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