



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 dark overlays 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 with wooden flooring and blue armchairs.

# 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)<sup>1</sup>

## 76%

Of the global workforce believes **diversity at work is a critical factor** when considering employment<sup>2</sup>

## 1.3x

**Higher procurement ROI** for companies with a strong supplier diversity focus vs. average comparable business<sup>3</sup>

## ~40%

Of S&P 500 companies **discussed diversity on earnings calls**<sup>4</sup>

## 90%

of Gen-Zers believe companies should **take action on social issues**<sup>5</sup>

## \$50bn+

In **pledges to address racial equity** by top 50 US companies in the 3 months after summer 2021 protests<sup>6</sup>

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

Narrow focus on DEI so far

~70%

Of companies have diversity programs, in many countries<sup>1</sup>

Equity



Drive fair outcomes in hiring & advancement

\$8bn

Annual spending on diversity, equity, & inclusion training in the US<sup>2</sup>

Inclusion



Mitigate bias & create psychological safety

67%+

Of staff feels their firm is inclusive and respectful of their identity<sup>3</sup>

Challenges remain

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

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

5

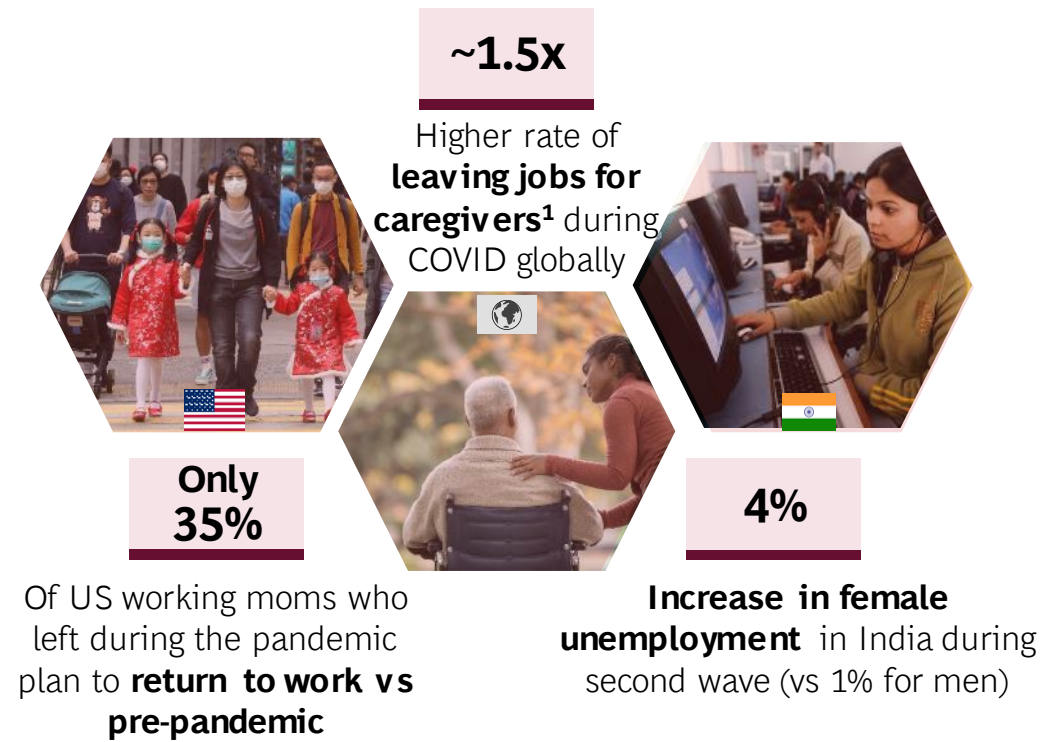


# 1.2 Global social movements and impacts of COVID-19 have increased pressure on businesses

## Global social and political movements intensified pressures



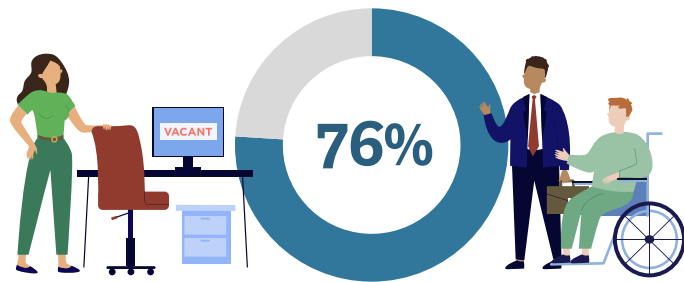
## COVID-19 disproportionately impacted minorities



<sup>1</sup>Versus 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 opportunities<sup>1</sup>

**43%**

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

**53%**

Of Gen Z consumers **expect firms to have diverse senior leadership**<sup>3</sup>

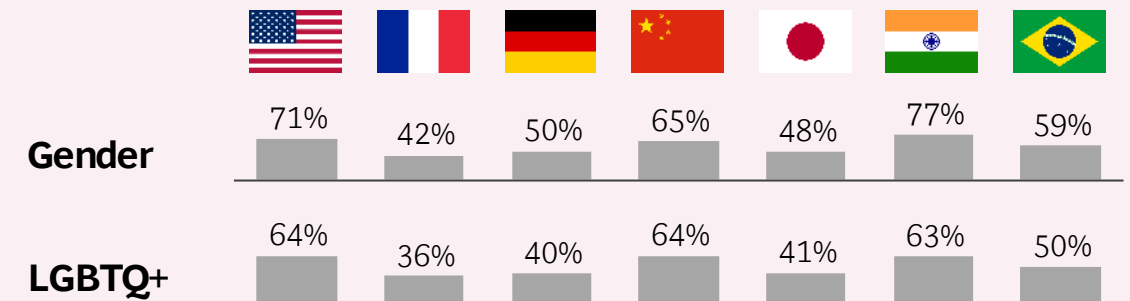
**44%**

Of **LGBTQ** job-seekers **did not apply for a job/declined a job offer** due to perceived noninclusive culture<sup>4</sup>

## ...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 initiatives<sup>5</sup>



**yet...**

**Up to 75%**

Of targeted employees **do not feel personal benefit** from them<sup>4</sup>

**66%**

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



1.3

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




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

☐ Straight

☐ LGBTQ

☐ White

☐ Black

☐ Asian

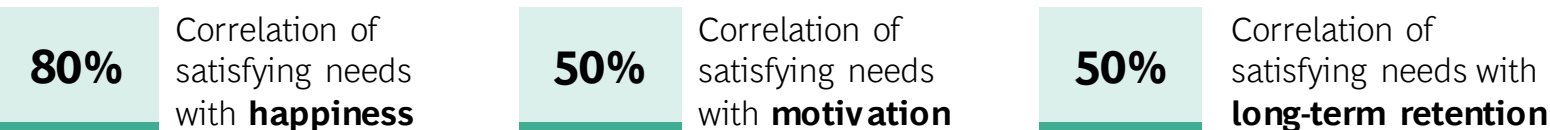
☐ Other

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:

<h3>Innovate business models</h3> <p>Support diverse entrepreneurs - <b>capitalize on under-invested businesses</b>, innovative ideas and access to marginalized groups</p>	<h3>Strengthen value chain</h3> <p><b>Tap into diverse suppliers</b> to expand &amp; better tailor own product</p> <p><b>Widen supplier base</b> to reduce dependence &amp; promote competition</p>	<h3>Build "better fit" products</h3> <p><b>Expand consumer base</b> via propositions for unmet needs</p> <p><b>Build brand loyalty</b> by addressing specific communities' needs</p>	<h3>Serve underserved markets</h3> <p><b>Establish and drive demand</b> in nascent/marginalized markets</p> <p>Capture <b>unexplored sales potential</b></p>
<div><h4>Micro-distribution</h4></div> <ul style="list-style-type: none"><li>Help rural marginalized women be entrepreneurs - use their networks to reach communities with nutritious food</li><li>Provide training in sales, management, finance, nutrition &amp; wider support</li></ul> <div><b>180%</b> Incremental income increase in Brazil rural communities</div>	<div><h4>Diverse vendor development program</h4></div> <ul style="list-style-type: none"><li>Workshops with women &amp; ethnic minority suppliers on retail practices, buyer relations, brand building, financial planning, capital access, etc.</li></ul> <div><b>\$2.1bn</b> Purchases from diverse suppliers in 2018-2020</div>	<div><h4>Drug suitability for minorities</h4></div> <ul style="list-style-type: none"><li>Training 250 clinical investigators from minority backgrounds to recruit more diverse trial participants – in order to ensure wider-applicability of drug across racial demographics</li></ul> <div><b>\$100M</b> Committed to NMF<sup>1</sup> to increase DEI in clinical trials</div>	<div><h4>Better serve un- and under-banked</h4></div> <ul style="list-style-type: none"><li>Employed community managers to build trust in underrepresented communities</li><li>Introduced new credit risk assessment to remove bias &amp; ensure equity</li></ul> <div><b>\$30bn</b> Lending pledge for underserved areas</div>

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



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



### Companies increasingly engage in societal DEI initiatives

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

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 leading<sup>1</sup> 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**



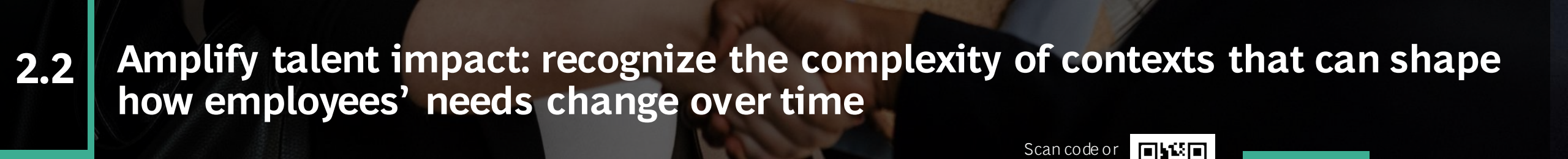
VALUE VIEW	
<b>Moral obligation</b>	<ul style="list-style-type: none"><li>• It is the right thing to do'</li><li>• Focus on equality, equal opportunity, respect</li><li>• Hope for higher creativity/innovation</li></ul>
ACTION	
<b>Committing to improve diversity</b>	<ul style="list-style-type: none"><li>• Enhance objectivity &amp; representation in recruiting and promotion</li><li>• Launch anti-discrimination policies</li><li>• Commit to diversity</li><li>• Create support groups (e.g., women)</li></ul>

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



VALUE VIEW	
<b>Business, talent &amp; socio-economic enablement</b>	<ul style="list-style-type: none"><li>• DEI as a tool to enhance employee experience and business outcomes</li><li>• Full talent realization of everyone</li></ul>
ACTION	
<b>Using DE&amp;I to realize our full potential</b>	<ul style="list-style-type: none"><li>• Apply DEI to unlock talent across the entire organization</li><li>• Focus on deep-rooted (emotional) needs of employees and society</li><li>• Embed in leaders' performance goals and business strategy to unlock value</li><li>• Ensure necessary investment in DEI</li></ul>





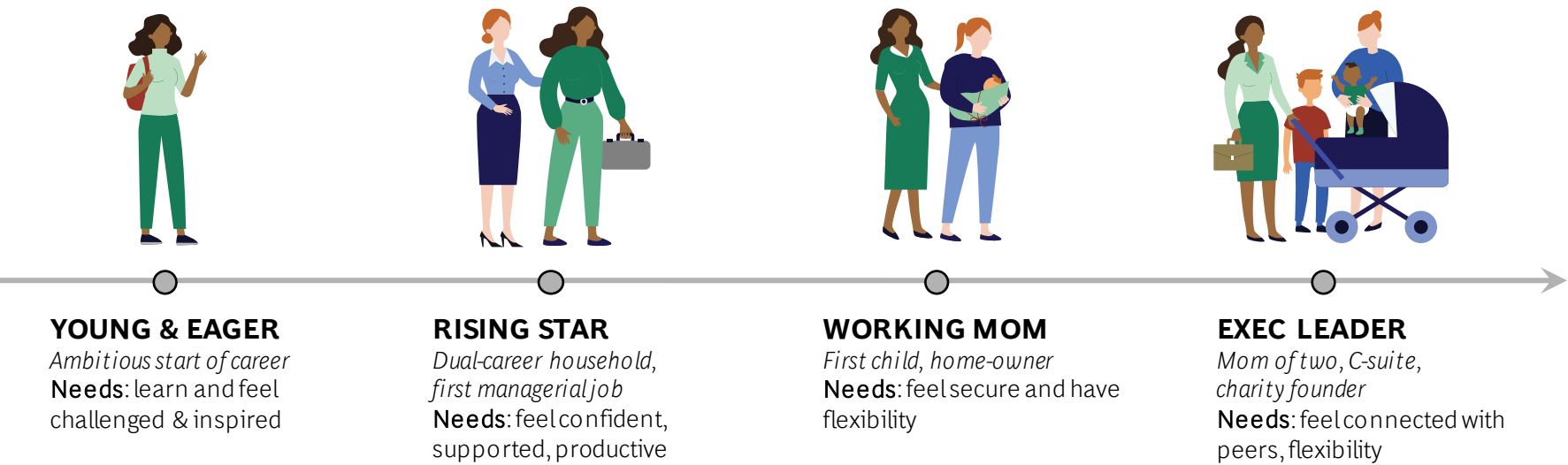
# 2.2 Amplify talent impact: recognize the complexity of contexts that can shape how employees' needs change over time

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

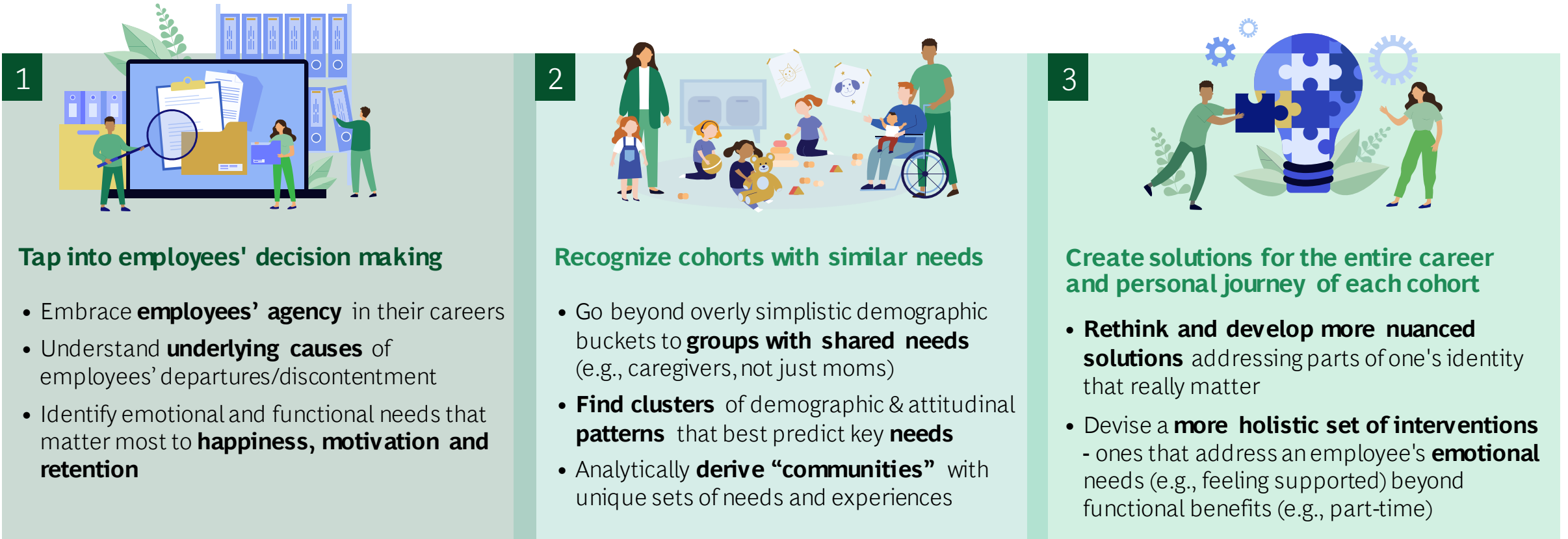


Gabrielle explains how partner's life-threatening medical diagnosis led to a powerful breakthrough in reimagining DEI

“ 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

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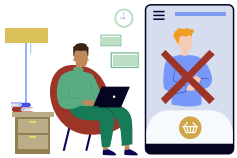
**Open continuous (anonymous) feedback loop and regularly refine solutions to better capture nuances of foundational needs and evolving employee journeys**





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

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learn more

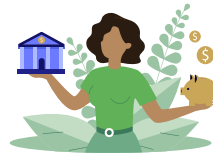


### Assess own practices & remove inherent bias from operations

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&B<sup>3</sup> Roundtable to act as a catalyst for change
- Strong advocate for public policies e.g., Equality Act
- Justice by Design<sup>4</sup> to build equity in product design
- Developed products supporting financial security
- Supplier diversity program<sup>5</sup> assists in supplier certification, factoring DEI in scoring, etc.
- Track net disposable income and set targets for workforce

56%

Of workforce identified as diverse<sup>5,6</sup>

Internal

External



### Revisit KPIs to set clear goals

Define what “good” looks like<sup>1</sup>

Maintain focus on demographics in recruitment, yet go beyond – **measure long-term inclusion indicators**<sup>2</sup>

**Expand metrics** across employee life cycle; tailor to each new “community”

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



### Take bold transparent action

**Appoint chief diversity officer**

Ensure senior leaders are champions

**Allocate sufficient resources,** capital, and innovation focus to DEI

Identify **DEI areas relevant to you**

Report metrics **to hold leaders accountable**

Don't let the external narrative jump ahead without **strong action plan**



### Advance advocacy agenda

**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

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.

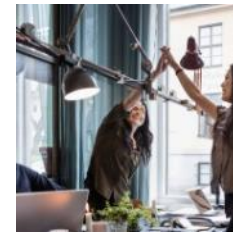
# Additional perspectives on Diversity, Equity, and Inclusion



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



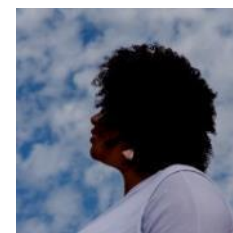
With Caregivers in Crisis, Companies Need to Step Up



The Importance of Being Equitable in Product Design



Financial Institutions Can Help Break the Cycle of Racial Inequality



Racial Equity in Banking Starts with Busting the Myths

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