

Business Leadership in Society Diversity and Inclusion

Diversity and Inclusion – The role of industry and multi-stakeholder initiatives

Inequality remains one of the most significant issues of our time, not only within society as whole, but also within business. Although progress in solving the lack of diversity in the workplace is being made, it is extremely [slow](#), and years of inclusion efforts have proven to be insufficient. In a recent [report](#), McKinsey provides evidence that “diversity wins” and that firms leading on gender and ethnic diversity are up to 36% more likely to financially outperform those moving to a sufficiently diverse employee base at a slower pace. An [analysis](#) by Goldman Sachs found that among a broad range of E&S metrics, “Diversity”¹ correlates most significantly with stock performance – in a positive way.

Our previous [research](#) shows that industry and multi-stakeholder initiatives are essential contributors in setting a framework for corporate responsibility and leadership in the 21st century. In light of investors and other stakeholders placing more emphasis on the “S” in ESG, we explored how initiatives with a purpose to improve issues related to “Employee Engagement, Diversity and Inclusion” are driving change and how they can create even more positive impact. This research is mainly based on information that was collected for the [Business Leadership in Society \(BLiS\) Database](#).

Initiatives with a focus on driving diversity in the workplace

Our analysis of four relevant initiatives included in the [BLiS Database](#)² and six additional influential initiatives presents some interesting findings. In particular, we looked at initiatives’ response to the following metrics, which can be found in the database: *GICS sector focus* and *Type of initiative* (see table below) as well as *Action required by members*, *Driving disclosure*, *Reporting or labelling*, *Target setting*, *Membership audit* and *Enforcement of non-compliance* (see findings 2. to 5.)

Sample	GICS sector focus	Type of Initiative	Diversity Focus
• Decent Jobs for Youth	Multiple	Partnership	Various (not specified)
• We Connect International	Multiple	Partnership	Gender
• Women’s Empowerment Principles	Multiple	Partnership	Gender
• Youth Business International	Multiple	Partnership	Various (not specified)
• EQUALS Global Partnership	IT	Partnership	Gender
• Alliance for Inclusive and Multicultural Marketing	Multiple	Partnership	Various
• Diversity Best Practices	Multiple	Partnership	Various (Hispanic, African-American, Asian, and LGBTQ+)
• Catalyst	Multiple	Partnership	Gender (priority)
• Open for Business	Multiple	Partnership	LGBT+
• Diversity Project	Financials	Industry Association	Various (Ethnicity, Gender Equality, Neurodiversity, LGBT+, Returners, Smart Working, Military Veterans, Young Hires)

¹ Due to a lack of data on ethnic diversity, “Diversity” here refers to the level of female employees.

² To be included in the BLiS Database, initiatives need to meet certain criteria. To find out more, please read the methodology of the database by accessing the file “Documentation” on the bottom right side of the database below “Downloads.”

We found that 13 initiatives included in the database are engaged to some extent on “Employee Engagement, Diversity and Inclusion;” however only four of these initiatives have a sole purpose that revolves around solving this issue. In order to access the sample of 13 initiatives, please select “Employee Engagement, Diversity and Inclusion” in the “Theme” dropdown menu on the left side.

Findings

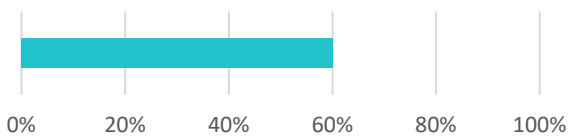
1. Partnerships that aim to please all

Most initiatives with a focus on enhancing diversity and inclusion in the workplace and promoting equal opportunities for underserved young hires and entrepreneurs do not focus their efforts on certain industries, but rather target firms operating across a broad range of sectors. Although industry-specific initiatives certainly exist, we found that their reach and influence seemed disputable (e.g. they were not represented by any of the largest firms within the respective industry).

Yet, different industries mark different characteristics, face different challenges and demonstrate different diversity gaps. Although research on sector-specific diversity gaps is scarce and focuses heavily on gender inequality, it shows that certain industries appear to be lagging most in this regard. According to a variety of sources, these laggard sectors include Industrials, Materials, Information Technology and Energy. Based on our observances regarding other ESG issues, we suggest that partnerships with a focal point on specific sectors or industries could be more efficient in driving the required change.

The consideration that most industries are represented by industry associations also raises the question of whether the role of industry associations should include the enhancement of diversity and inclusion, and to what extent this is already on industry associations' agendas.

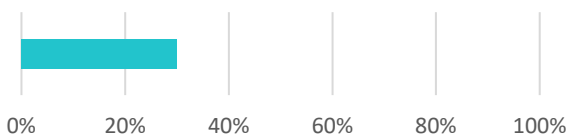
2. Action required by members



For this metric, we assessed whether the initiative requires member companies to adhere to the principles and/or commitments of the initiatives.

Our findings show that just over a half of them do so. For instance, the **Women Empowerment Principles (WEP)** provide a clear [set of guidelines](#) and drive accountability by encouraging members to sign a [CEO Statement of Support](#) for those set principles. Becoming a member of the **Alliance for Inclusive and Multicultural Marketing (AIMM)** requires meeting the conditions outlined in a [5-step membership process](#), including the appointment of two executives to occupy seats at AIMM meetings.

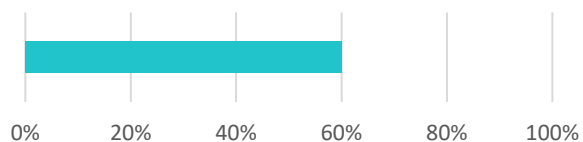
3. Driving disclosure, Reporting or Labelling



Investors and other stakeholders are urging companies to improve their disclosure on information and specific metrics related to diversity and inclusion within the organization (and supply chain). Thus, we are interested in whether any of the respective initiatives use their platform to encourage improved corporate reporting, e.g. standardized reporting, best metrics, or whether the initiative includes a label component.

In fact, we found that only three of the initiatives do so. One of **WEP's** member principles is to "Measure and publicly report on progress to achieve gender equality," which they elaborate on further in a [booklet](#). **Diversity Best Practices** encourages disclosure through the recent design of the [DBP Inclusion Index](#).

4. Target Setting



Having clear commitment and targets in place is essential for an initiative's opportunity to drive positive impact.

According to our analysis, most of the initiatives meet this criterion.

[Youth Business International](#), for instance, has [set a goal](#) to help 1 million young entrepreneurs start, strengthen and grow sustainable

businesses between 2017 and 2025 and [outlines](#) four strategic pillar essential to achieve this target. One of **EQUALS'** [goals](#) is to achieve equal access and use of digital technologies by 2030 and its target is driven by a number of [projects](#).

5. Membership Audit and Enforcement of Non-Compliance

If an initiative has defined actions that members are obligated to align with, are members audited against the membership criteria at some point? Our findings show that the respective initiatives generally do not assess whether a member follows through on its commitments. Among all initiatives, only the **Diversity Project** encourages members to make use of the initiative's "Self-Assessment Tool;" however this assessment is voluntary.

Ideally, an initiative audits its members' performance on set principles and, in case of demonstrated non-compliance with the principles, it provides information on how they deal with non-compliant members. However, we have found that none of the initiatives do so. This is most likely linked to the lack of clear principles and actions that members need to adhere to as well as the difficulty for initiatives to audit whether their members comply with those principles.

6. Diversity for All

The sample of initiatives also shows that many initiatives emphasize different types of diversity gaps. The **Diversity Project**, for instance, [mentions](#) that their efforts focus on Ethnicity, Gender Equality, Neurodiversity, LGBT+, Returners, Smart Working, Military Veterans and Young Hires. Yet, company disclosure and research on D&I issues beyond gender diversity remains scarce. This emphasizes the importance of initiatives to drive awareness for "other" types of diversity gaps.

What can initiatives do to strengthen their impact?

Even in 2020, the state of diversity and inclusion in the world of work is still unsatisfactory. Initiatives are an important lever in fighting the diversity gap. Although each of the initiatives that we analyzed for the purpose of this research provides useful resources and/or engages in impactful programs, we argue that there are areas for improvement. The following recommendations apply to initiatives irrespective of their size and reach.

- **Set clear principles/commitments** – Our findings showed that 40% of initiatives have not published clear principles and/or commitments. However, having such standards in place provides guidance to members on the purpose of the initiative and sets the framework to which member can be held accountable.
- **Drive disclosure, Reporting or Labelling** – Apart from the area of gender diversity, research on diversity in the workplace remains largely insufficient, which is mainly due to data deficiencies. To gain a deeper understanding of the state of D&I and to hold firms with malpractices accountable, disclosure of D&I related information is essential. Thus, initiatives should amplify their efforts to encourage D&I reporting. This applies particularly to metrics related to the inclusion of ethnic minorities, LGBT+, disabled, etc.
- **Define clear targets** – What is the initiative working towards specifically and how can member organizations assist in achieving these goals? Just over half of the analysed initiatives defined clear, tangible targets. However, every initiative should communicate what exactly it is striving for and what the role of members is to achieve this.
- **Check up on members** – Acknowledging that initiatives often operate on significant resource constraints, we recommend that initiatives seize any opportunity to ensure that firms signed up to the initiative also comply with its principles and demonstrate their efforts and progress in regard to the key issues. Non-compliance should be further investigated.