10 Proven Actions to Advance Diversity, Equity, and Inclusion

GRADS of LIFE

BAIN & COMPANY

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Introduction

Our research finds evidence that 10 specific tactics—some common, others underused—are particularly effective at advancing diversity, equity, and inclusion in the workplace.

As America's largest companies and their CEOs increasingly embrace a new leadership role in advancing racial equity, they face a confounding question: What really works? Despite decades of research and a growing corporate focus on diversity, equity, and inclusion (DEI) over the past few years, many executives are unsure what actions are most effective at increasing diverse representation, improving feelings of inclusion, or making progress on other DEI goals.

Integrating DEI into organizational practices is nuanced, complex work—and relatively nascent. Robust, comparable multiyear DEI outcomes data is hard to come by. Even among those companies most committed to defining and measuring DEI progress, results take time, and there are few benchmarks against which to measure them.

Many studies exist of specific employer DEI efforts or practices that have led to strong DEI outcomes, but parsing through that literature to make data-driven decisions is challenging. At Bain and at Grads of Life, we frequently hear C-suite leaders say, "I don't know where to start," or "the amount of information and tools is overwhelming." Many simply want a blueprint for what's been effective for other companies.

To that end, we have developed a short list of the strongest evidence-based DEI actions, based on a thorough review of more than 100 research sources, primarily academic literature, and informed by our experiences supporting our clients and engaging with DEI thought leaders (see our methodology below).

Ultimately, we found 10 actions worthy of increased employer attention and investment today.

- Express C-suite commitment and formalize accountability
- Adopt a skills-first approach to talent acquisition
- Diversify talent pipelines through work-based experiences
- Provide family-sustaining wages and benefits
- Communicate skills-based career pathways

- Offer voluntary DEI training for all
- Listen to and learn from experiences of employees
- Invest resources in cross-training and upskilling
- Create mentoring and sponsorship programs
- Build a diverse supply chain

Each of the actions above resulted in one or more positive outcomes for an organization's diverse or underrepresented talent, including:

- improved rates of recruitment and hiring;
- increased levels of representation in an organization;
- increased feelings of engagement and belonging; and
- increased rates of retention and internal promotion.

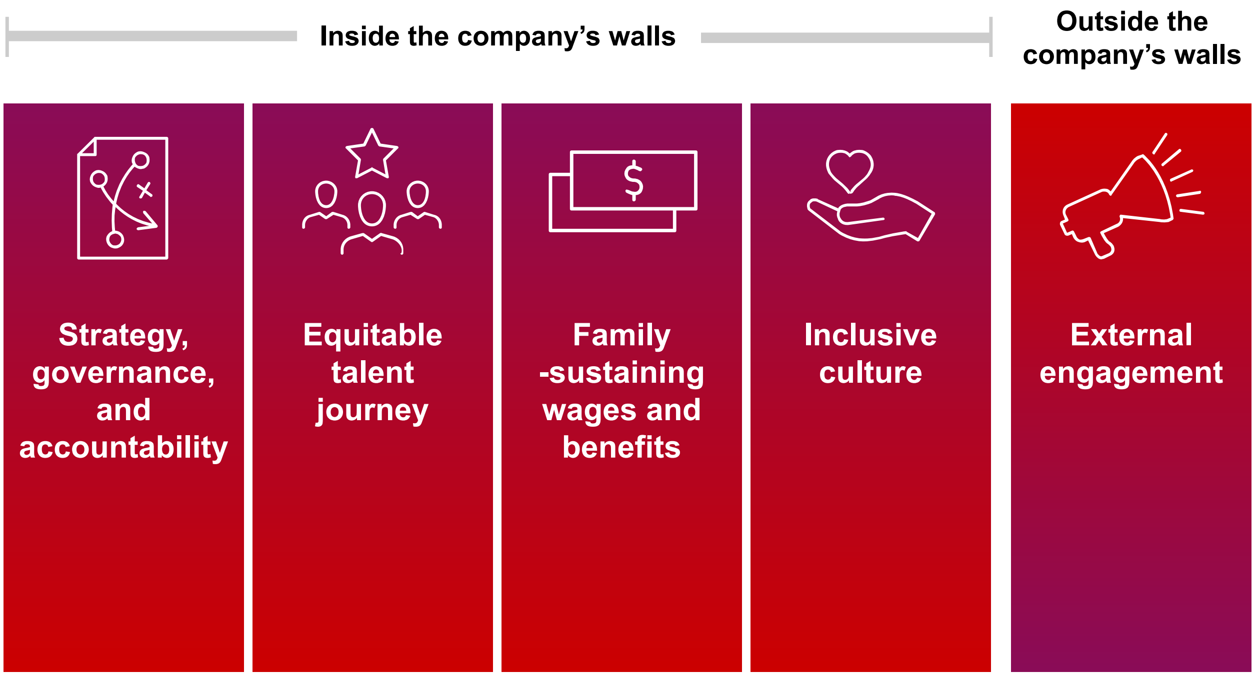
We also examined how widely implemented these actions are, and, for those not yet widely implemented, we examined the biggest barriers to accelerating adoption. We evaluated these actions within a framework that spans all the core areas of business operations *(see Figure 1)*.

Our analysis also revealed that half of the 10 actions are not yet mainstream despite the strong research behind them. Employers should prioritize these actions and explore how to overcome potential barriers to implementation. The remaining actions are already quite common, yet companies need to be aware of important nuances in order to implement them effectively. While many employers already have experience with these actions, there are ways to connect them more effectively to DEI strategy and outcomes *(see Figure 2)*.

We also found that a combination of several, or all, of these actions is more powerful than any one action on its own. While many of these actions alone can drive improvements, when taken together, the actions are mutually reinforcing: The more you implement, the greater likelihood of seeing strong DEI outcomes. In conjunction with this report, Bain & Company and Grads of Life have released The DEI Opportunity Identifier, a self-assessment tool that allows companies to assess themselves against all the DEI actions described here as well as many others.

In each of the individual action pages that comprise this report, we present a synthesis of insights from the research about the action, analyze what it takes to successfully implement each action, and explore why some of the actions are not yet pervasive among US employers despite their strong evidence base.

Figure 1: The most effective diversity, equity, and inclusion strategies span key areas of business operations inside and outside of the company's walls



Sources: Bain & Company; Grads of Life

Figure 2: The 10 most effective actions include 5 that are not yet mainstream and 5 that, though common, can often be deployed more effectively

Employers should prioritize these less common but highly effective actions

- Express C-suite commitment and formalize accountability
- Adopt a skills-first approach to talent acquisition
- Diversify talent pipelines through work-based experiences
- Provide family-sustaining wages and benefits
- Communicate skills-based career pathways

Employers should seek ways to connect these common practices more effectively to DEI strategy and outcomes

- Offer voluntary DEI training for all
- Listen to and learn from experiences of employees
- Invest resources in cross-training and upskilling
- Create mentoring and sponsorship programs
- Build a diverse supply chain

How employers can take action

Many employers have already articulated or expanded a commitment to diversity over the past year. There are several concrete ways employers can use the information in this report to help fulfill those commitments.

- **Connect and learn:** Consider joining a local or national business coalition committed to adopting actions such as the ones articulated here. OneTen, the Business Roundtable's Multiple Pathways Initiative, CEO Action for Diversity & Inclusion, and the New York Jobs CEO Council are all examples of corporate coalitions focused on taking action to increase equity through employment. Many of them engage in frequent peer learning, knowledge sharing, tool development, and, in some cases, technical assistance on implementation.

- **Assess and invest:** Explore which of the 10 key actions outlined in this report are ripe for further investment at your company. While these actions are defined to be universally applicable to companies of all sizes and industries, DEI looks different at every company, and each company is at a different place on its DEI journey; individual context remains essential in analyzing what to do from here. We encourage employers to conduct a self-assessment on progress against goals using the Opportunity Identifier and to explore ways to apply the evidence-based actions described here to their organizations.

- **Measure and report:** Similar to most business strategies, DEI comes with continuous learning and improvement. There is still much to discover about the nuanced approaches to these actions that are most effective in driving results. We encourage employers to rigorously measure outcomes of each intervention and, where possible, report on those outcomes to employees, researchers, and other employers to help inform working knowledge in this field.

How investors can take action

Investors are increasingly interested in, and demanding, meaningful human capital data as one means of assessing a corporation's total value. Over the past two years, a global outcry for racial justice, coupled with the effects of the Covid-19 crisis, have resulted in increased scrutiny from investors, consumers, and other stakeholders on environmental, social, and corporate governance factors that help paint a picture of a company's total social impact. We encourage investors to use the data and evidence in this report to monitor and measure key human capital actions and their outcomes among the companies in which they invest and to use their position to influence companies to be more transparent on DEI data.

We hope that other stakeholders, including members of the philanthropic community, grassroots organizers, and policymakers, also find value in the findings summarized here and will take the opportunity to share relevant insights with their networks. Investments into DEI have positive effects that go far beyond the four walls of a corporation; they ultimately lead to greater community and national prosperity and well-being.

Racial Equity Begins with C-Suite Accountability

Companies can only achieve DEI goals with explicit commitment from the C-suite and systems that ensure accountability.

When it comes to making significant strides in racial equity, many corporate leaders find themselves at a loss for where to begin. And while no company has all of the right answers, we've found one practice can harness executives' natural expertise and serve as a guide: Treat your DEI strategy like any other core business strategy.

Success requires the leadership team to make an explicit commitment, set clear goals, and assign accountability for outcomes. As with other critical initiatives, setting goals entails defining key metrics of success—such as increased representation of underrepresented talent at every career stage, or improved diverse employee engagement—and making key stakeholders aware of them. Accountability means that someone (or ideally, a combination of people and groups) is ultimately responsible for monitoring outcomes, managing roadblocks, and making necessary adjustments along the way.

Why it works

As they do with any element of a company's culture, leaders set the tone on DEI. They have the power and responsibility to institute the right systems to ensure accountability. When a CEO sets the strategy and frequently communicates DEI progress, a company is 6.3 times more likely to have a diverse leadership team—and to be an industry leader.

Social accountability—the idea that others are monitoring our actions and may judge them—is a key reason why accountability and transparency improve outcomes. To promote social accountability, some companies implement diversity managers and task forces or councils. The result is a strong improvement in the advancement of diverse and underrepresented talent: On average, companies that establish diversity task forces see a 9% to 30% increase in the representation of white women and minority groups in management within five years.

The adoption curve

Despite what appeared to be a wave of corporate statements on racial equity in the six months following the murder of George Floyd, only 18% of the top 1,000 US companies made commitments to improve DEI internally. And while the most sophisticated companies regularly update detailed internal dashboards that home in on a dozen or more indicators of DEI success, they remain the exception rather than the rule.

Formal accountability structures are also uncommon. Only 20% of medium and large employers have task forces, and just 10% have diversity managers. Executives may not be aware of how effective social accountability can be in helping advance DEI goals, but the profound shift in the way leaders prioritize DEI—from a sideline initiative with limited resources in the past to a business imperative today—makes this the ideal time to set up evidence-based accountability structures.

How Intel took action

To underscore its commitment, transparency, and accountability to DEI goals, Intel publicizes all diversity and equity data. It publishes pay equity data (with voluntarily disclosure of its EEO-1 pay disclosure reports) as well as gender and racial representation at all levels of the organization. The company also releases an annual Diversity & Inclusion report on its website. Critically, Intel links a portion of executive and employee compensation to diversity and inclusion metrics.

Recently, through its RISE 2030 goals, Intel has doubled down on its commitment to improving equity and increasing representation within the company, announcing bold public initiatives to increase the number of women in technical roles to 40%, double the number of women and under-represented minorities in senior leadership, and ensure that inclusive leadership practices and accountability are embedded in its culture globally. Additionally, the company has committed to increasing US Black employees in senior-, director-, and executive-level roles by 30% by 2023. Intel's 2020–2021 Corporate Responsibility report includes specific details on how it plans to meet its goals.

In 2020, Intel extended its leadership in this space by cocreating the Alliance for Global Inclusion, a coalition of tech companies committed to publicly sharing their DEI data as well as sharing best practices to track and accelerate their collective progress. Dawn Jones, chief diversity and inclusion officer and vice president of social impact, stated: "2020 has been a transformative year. It is causing us to think differently about the challenges we face as an industry. Open sharing of our data has enabled Intel to both celebrate progress and confront setbacks. It's our responsibility to keep raising the transparency bar for ourselves and the industry."

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Focus on Skills to Hire the Best—and Most Diverse—Talent

From sourcing to screening to hiring, a skills-first approach to talent acquisition is the foundation of a more diverse and inclusive organization.

The cost of college has increased 25% over the past decade, causing student debt to skyrocket. As a result, career paths that require a four-year credential remain inaccessible and unaffordable for millions of Americans.

But by prioritizing skills and competencies over academic credentials or pedigree throughout the talent acquisition and advancement processes, companies can recruit and hire people with different backgrounds, experiences, and perspectives. While skills-based hiring alone does not guarantee diversity, it is a necessary first step in breaking down potential barriers and creating a more inclusive organization.

Hiring for skills is not only a vehicle for championing inclusion and expanding economic opportunity; it's also a smart business decision: Employers pay up to 30% more for college graduates, despite observing no difference in job performance between graduates and nongraduates.

Executives acknowledge the hiring imperative—they've historically focused their diversity efforts on getting people in the door. Yet few have taken the leaps necessary to make lasting change within their organizations. We recommend several well-documented ways to comprehensively mitigate bias in the hiring process through a skills-based approach:

1. **Recredential job descriptions and remove four-year degree requirements:** Leaders can reassess which jobs truly require a bachelor's degree, eliminate educational barriers where possible, and rewrite job descriptions with a focus on the competencies and skills required. Additionally, they can review job descriptions for biased language that may discourage diverse and underrepresented talent from applying.

2. **Use blind résumé reviews:** Companies can redact identifying information from application materials and initial screenings—such as name, gender, and address—that can inform an impression about a candidate's race or gender and introduce unconscious bias.

3. **Conduct standardized and skills-based interviews:** Organizations can create consistent questions and a rubric for evaluating every candidate's skills and competencies.

Why it works

Traditional talent acquisition practices can be exclusionary by nature. According to one recent analysis of a coalition of large companies, more than 80% of postings for family-sustaining jobs currently include a four-year degree requirement—automatically excluding 76% of Black Americans and 83% of Latinx workers. This reality makes it difficult for millions of qualified Black and Latinx job seekers to gain access to meaningful careers. It also significantly reduces an employer's ability to build a diverse pool of candidates.

Adopting a skills-first approach is a clear way to start mitigating this issue. Employers report that nongraduates with experience perform nearly or equally as well as college graduates on critical dimensions such as level of productivity, time to reach full productivity, time to promotion, or amount of oversight required.

In order for skills-based hiring to effectively deliver DEI outcomes, employers need to ensure that underrepresented candidates aren't screened out early in the process because of bias. Removing names from résumés can help: A landmark 2003 experiment and multiple subsequent studies have found that, when applying for a job with the same qualifications, applicants with "white-sounding" names received 50% more callbacks for interviews than those with "Black-sounding" names. In addition, leaders can guarantee that each candidate slate includes at least two applicants from underrepresented groups, significantly increasing the likelihood of hiring a diverse candidate.

The adoption curve

Employers have become increasingly interested in skills-based hiring over the past several years. We've seen the emergence of several action-oriented business coalitions focused on skills-based approaches, including OneTen and Business Roundtable's Multiple Pathways Initiative.

However, these practices are still new to corporate America. According to one survey, only 37% of employers say they "forecast skill and competency needs to determine which roles can be filled using diverse candidate pipelines." And while employers have a strong appetite to implement a skills-based approach, they remain uncertain about which job types to recredential within their industries.

Additionally, we believe significant cultural biases toward pedigree persist throughout corporate America. Combating these biases will take more than tactical execution—it will require investments in changing mindsets.

For more information about how to implement skills-based hiring, we recommend the Markle Foundation's "Skills-Based Sourcing and Hiring Playbook."

How IBM took action

Faced with a shortage of technology talent more than a decade ago, IBM made the groundbreaking decision to remove four-year degree requirements, instead focusing on candidates' competencies and potential for upskilling. Today, across employee levels and businesses, 50% of the firm's US jobs do not require a four-year degree. As a result, IBM has seen consistent increases in diverse and underrepresented talent, both across the company and in managerial roles.

"When you break down what people actually do every day, whether it's software development, or digital design testing, or security, or even artificial intelligence, you have to ask if that role needs a four-year degree or it's a set of skills that's needed," noted Nickle LaMoreaux, chief human resources officer.

The firm's high school apprenticeship program, which supplies a pipeline of diverse talent, as well as strong executive support from former CEO Ginni Rometty, have been critical success factors. Going forward, the company plans to expand its approach by certifying all hiring managers in skills-based practices and building an AI-powered platform for skills-based professional development.

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Diversify Your Talent Pipeline through Work-Based Experiences

Work-based experience programs, such as apprenticeships, are effective ways to invest in underrepresented talent and advance DEI goals.

Large swaths of Americans never have the life-changing opportunity to get their foot in the door of a company. But paid, work-based experience programs for diverse and underrepresented talent can be an effective way for companies to create these opportunities and advance equity.

Work-based experiences are highly beneficial for both prospective employees and businesses. They allow career seekers to gain on-the-job experience, in-demand skills, and a professional network. And they enable employers to proactively build talent pipelines and test potential employees before making a full-time offer.

Work-based experiences can take many forms, including:

- formal, federally registered apprenticeship programs;
- paid internship programs; and
- job-shadow programs with local high schools, community colleges, or community-based organizations.

Why it works

Registered apprenticeships offer robust "learn and earn" opportunities, allowing people to access high-paying jobs without incurring student debt. For the duration of their apprenticeship, which can be years, apprentices earn money and work experience and receive training in the skills employers seek. In most cases, apprenticeships do not require applicants to have four-year degrees or even previous experience. What's more, 91% of apprentices find full-time employment upon completing their apprenticeship.

Similarly, diversifying internship programs can significantly improve DEI outcomes in the private sector. Consider Year Up, a yearlong workforce training and internship program that has placed more than 20,000 students—primarily low-income young adults of color—in positions at more than 250 companies. After completing the program, Year Up graduates see earnings dramatically increase and remain 34% higher than peers' earnings four years post-program.

In addition, every dollar spent on Year Up results in a societal gain of $1.66 in the form of graduate earnings, benefits and taxes, and revenue gains by firms that hire program graduates. Beyond financial returns, companies that host Year Up interns are investing in a pipeline of diverse talent, growing representation throughout the organization. JPMorgan Chase, for example, has hired nearly half of its 1,830 Year Up interns into full-time positions.

The adoption curve

Despite these wins, companies still have a ways to go in expanding and increasing the effectiveness of work-based experience programs. There are persistent racial and gender disparities in apprenticeship: Women and people of color often face discriminatory recruitment practices and lower enrollment rates, and end up in lower-wage occupations. Apprenticeships are also relatively rare in the US: Actively registered apprentices made up less than 1% of the working-age population in 2020, and most were highly concentrated in skilled trade industries.

Why are registered apprenticeships so uncommon? Many companies perceive them as difficult and costly to establish. But those with successful apprenticeship programs can help demystify the process and educate their peers on the benefits.

Internships that make meaningful DEI progress are also rare. The talent acquisition process often relies on college recruiting programs, which perpetuates a bias toward degree holders and limits access for noncollege candidates, working against DEI goals. Even when employers are inclusive of nontraditional candidates, their work-based experience programs are often very small. DEI champions will seek to expand internship programs through partnerships with community-based organizations and historically Black colleges and universities.

Businesses have a powerful opportunity to improve equity and advance DEI goals by rethinking work-based experiences. For some companies, this may mean repurposing an existing internship infrastructure, scaling their efforts to effectively recruit and support diverse interns. Other organizations will need to build programs from scratch, putting DEI at the center from the start.

How Aon, Accenture, and Zurich took action

A number of companies are joining forces to scale work-based experiences nationwide. The Chicago Apprentice Network founded by Aon, Accenture, and Zurich North America is a prime example. Focused on recruiting companies to join the apprenticeship movement, the network gives employers the peer advice and support they need to be successful. Since 2017, the network has grown to more than 50 companies and hosted more than 1,000 apprentices, with plans to scale to 10,000 apprentices by 2030.

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The Wage Imperative in Diversity, Equity, and Inclusion Efforts

Companies cannot reduce racial and gender inequities without offering family-sustaining wages and benefits

In the wake of the racial reckoning that shook the world's conscience in the summer of 2020, many companies rightfully focused their attention on DEI, measuring worker well-being, engagement, productivity, retention, and advancement. But progress on all of these fronts will be impossible without one foundational element: adequate, equitable wages and supportive benefits.

Employers can determine family-sustaining wages in their location by consulting MIT's Living Wage Calculator. They can provide key benefits including, at a minimum, health insurance, paid family and sick leave, and retirement options that help support long-term financial stability and wealth creation. In addition, leading executives will consider stable scheduling—a critical factor for hourly worker well-being that companies often overlook.

Why it works

Living wages and benefits are fundamental to racial equity, given that Black and Latinx workers disproportionately occupy hourly frontline roles in service industries, which tend to pay minimum wage with limited benefits. As a result, 43% of Black workers and about 40% of Latinx workers earn less than $30,000 per year.

Furthermore, the evidence is clear: Higher wages lead to healthier, happier workers. To enable the strongest outcomes for their employees, executives can take several actions:

- **Conduct pay equity analysis** and report on results transparently, which helps reduce inequities across race and gender over time.
- **Design retirement plans** with features like automatic deposit to help workers save for the future, reducing the racial wealth gap over time.
- **Provide scheduling predictability and flexibility** for hourly workers. This is crucial to employee well-being, as unpredictable schedules are associated with psychological distress.

The adoption curve

While wages and benefits differ vastly by geography and industry, the combination of living wages and benefits is still not widely implemented across the US. This is an acute problem in service industries with large, low-wage frontline workforces. For example, health insurance is available to only 27% of low-wage workers. And more than half of retail and food service workers get less than a week's notice of their schedule.

Executives have an opportunity to strengthen the business case for living wages and benefits by emphasizing the direct connection to their employees' engagement and productivity. Given the ongoing, often polarizing debate around this topic, it is especially important for business leaders to take a firm stance. Offering a living wage and benefits is the clearest way employers can indicate that they value their employees. Without this integral step, companies may undermine their other DEI practices.

How Bank of America took action

Bank of America recently announced its second minimum-wage increase in the US in two years. It will raise its minimum wage to $25 an hour—a living wage in most US markets—by 2025. In addition to competitive wages, Bank of America provides an extensive benefits package. Ranked second best in the industry, it includes affordable healthcare, 16 weeks of paid parental leave, and an innovative employee assistance program called Life Event Services, which provides support to employees for all types of personal and professional challenges.

As of 2019, Bank of America's employee satisfaction was at a record high. More recently, 92% of its employees said it is a great place to work. And according to a 2021 report by Glassdoor, Bank of America received the second-highest satisfaction rating (4.0 out of 5.0) from employees identifying as Black or African American out of 28 companies analyzed.

"A core tenet of responsible growth is our commitment to being a great place to work, which means investing in the people who serve our clients," said Sheri Bronstein, chief human resources officer at Bank of America. "That includes providing strong pay and competitive benefits to help them and their families, so that we continue to attract and retain the best talent."

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How Clear Career Paths Strengthen Retention—and Diversity

Well-defined, clearly communicated pathways for advancement can encourage employee satisfaction and retention, especially among diverse and underrepresented workers.

Transparency is critical in DEI efforts. The companies that excel at retaining and advancing diverse talent will not only report talent management outcomes but also relentlessly demonstrate that all processes are fair and equitable.

One way executives can establish a culture of transparency is by disclosing skills- and competency-based career paths. Leaders clearly articulate how talent can move from entry-level to higher-wage roles within the organization. Creating strong career paths starts with determining the required skills and competencies to reach various roles or career stages. Next, the leadership team can identify available training and professional development resources for employees to gain those skills. Finally, clearly and consistently communicating that information to employees enables them to make informed decisions and pursue growth opportunities at the company.

Why it works

For all employees, the opportunity to advance and earn higher wages is a key factor in satisfaction and an indicator of job quality. Clear career paths are particularly important for diverse and underrepresented workers, who disproportionately feel more isolated and uncertain at work compared with their white peers. When an organization documents its career paths and the skills needed to advance, making the information transparent to all, there is less room for racial or gender bias to inform promotion decisions.

The adoption curve

Many employers believe they have strong career paths. They are often proud of the growth opportunities they offer to their employees. But very few companies make this information explicit and transparent. Based on a survey of more than 500 companies, we observed that only 28% said they communicate pathways for promotions and salary increases and that they hold managers accountable to conduct career progression discussions with direct reports regularly. And only 35% of young adult workers, most of whom were Black or Latinx, said their employer provides information about career advancement and promotion opportunities.

Senior employees—who, in most companies, tend to be white—implicitly hold much of the knowledge about how to advance in an organization. Similarity bias may make them inclined to offer their guidance and sponsorship to people who resemble them. Although managers can play a critical role in coaching and supporting their direct reports in career growth, clear documentation of pathways can help mitigate the inequitable distribution of information and also ensure that the responsibility for acting as a resource on advancement does not rest solely with managers.

Even when career paths are articulated, few companies disclose the skills and competencies needed to advance. Again, leaders can't assume that all employees implicitly understand what it takes to receive a promotion. Instead, they should make the information as clear and accessible as possible.

How Verizon took action

In response to its employees' stated desire for more career development resources and opportunities, and to empower employees with control over their own careers, Verizon launched Talent GPS in 2021. Talent GPS is a comprehensive tool that provides visibility into available jobs at Verizon, along with the skills and competencies needed for each role. The tool democratizes access to career information by making it universally available to all employees, and skills-based role requirements ensure that growth opportunities are equitable. Verizon plans to roll out Talent GPS in phases over several years, with the initial phase focusing on a market-driven job architecture with consistent job families and titles.

When Talent GPS is fully rolled out, Verizon employees will be able to determine how their role fits into a broader career path at Verizon and understand the most effective paths to work their way up. It will also help employees determine if their current career path is a good fit for them and offer options for pursuing new career directions.

Christy Pambianchi, chief human resources officer at Verizon, said, "We really want to empower employees so they can realize their greatest ambitions, and Talent GPS will put them in the driver's seat to own and build their future at Verizon."

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The Case for Voluntary Diversity, Equity, and Inclusion Training

Trainings focused on cultural awareness and skill development can empower employees to take ownership in creating a diverse and inclusive organization.

The events of the past year, from the murder of George Floyd to the disproportionate impact of Covid-19 on Black and brown communities, have left many wondering how they can fight systemic racism and inequity in their own communities and workplaces. Companies have responded with official statements, pledges, and, in some cases, mandatory DEI trainings.

Although often well-intentioned, this compulsory training can actually be counterproductive: It fails to increase diversity in management, sends the wrong message about the company's culture, and sometimes, even increases biases or hostility.

Creating a safe, inclusive work environment that is free of harassment and microaggressions is critical to maintaining a strong business and retaining employees of color. Voluntary DEI training, rather than mandatory programming, can be a more effective tool in helping employees improve their understanding and skills, no matter their starting point.

Voluntary diversity training can take many forms. In our experience, focusing the content of voluntary trainings on history, facts, and tangible actions is the most productive form. Trainings should include education on the causes and effects of systemic racism and other types of discrimination, how to identify and mitigate them in the workplace, and how intentionally inclusive employment practices and workplace behaviors can help to reverse them.

Why it works

Research shows that voluntary DEI training improves racial and ethnic representation within companies, leading to 9% to 13% increases in Black men, Hispanic men, and Asian American men and women in management after five years.

This is in contrast to mandatory training, which has been proven to backfire. Compulsory programs can have harmful effects on the retention and advancement of underrepresented groups: Five years after instituting required training, companies found there was no improvement in the proportion of white women, Black men, or Hispanic people in management. Furthermore, the share of Black women managers plummeted by 9%.

The adoption curve

Of course, every company administers federally mandated compliance training. If that is the extent of DEI education at a company, it sends a loud and clear message to employees: We only do this because we have to. And that dangerous mindset can rapidly permeate the workforce.

But executives have a clear opportunity to increase investment in voluntary, inviting, and action-oriented DEI training. Doing so quickly shifts the organization's stance: We care about creating an inclusive culture, and we encourage all employees to take ownership of that.

How VMWare took action

In 2020, VMware invested in foundational DEI education opportunities for all employees. Course topics include inclusive leadership development, inclusive language training, and unconscious bias training. And employees are choosing to engage: Last year, more than 10,000 employees completed the unconscious bias training.

Combined with other inclusion- and equity-based efforts, trainings have helped VMware embed a commitment to an inclusive organization in its culture. VMware COO Sanjay Poonen says that the company is "committed to having 50% of our managers be women" and that it wants to "hire one woman for every one male … and really see a more diverse workforce with underrepresented minorities and women." And the company recently reported that 82.4% of US interview slates included at least one woman or underrepresented minority, advancing its diversity hiring goals.

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Inclusive Organizations Listen and Learn

Employees who know their voices are heard and heeded feel a greater sense of belonging and engagement.

Many employers survey their workforce, hold town hall meetings, and solicit employee feedback in a host of other ways. Yet these same companies often miss key insights by failing to use DEI as a lens through which to view the resulting data or design future feedback efforts.

Listening and learning from underrepresented employees is an essential part of leading an inclusive organization. It's all too easy for business leaders to grow removed from the daily experience and culture at their company as a whole, let alone for specific groups of underrepresented employees. Leaders who do listen to their stories develop an awareness of their lived experiences, and examine employee feedback from specific groups are doing the ongoing work of fostering an inclusive and equitable workplace.

Without consistent information about how employees feel, especially people in underrepresented groups, it's nearly impossible for leaders to know if their DEI efforts are moving in the right direction. In larger companies, leaders need formal mechanisms and processes to gather this critical data. These can include:

- employee sentiment surveys, segmented by diverse employee groups (e.g., Black employees, LGBTQ employees);
- focus groups for specific employee segments;

- listening tours aimed at better understanding the lived experiences of specific employee groups; and
- social listening tools (e.g., reviewing Glassdoor ratings).

Why it works

A sense of belonging and engagement is part of the foundation of a good job for anyone—and the ultimate goal of every DEI effort. When employees are engaged and feel heard and respected, they contribute more meaningfully at work. And Bain has found that companies with highly engaged workers grow revenue 2.5 times faster than companies with low worker engagement levels.

The adoption curve

As noted, employee surveys and town halls are common company exercises; breaking the data down by diversity segments is not. In one survey of over 500 companies, only 10% responded that they both conduct employee engagement surveys *and* analyze the results by race, gender, and other diversity vectors. Yet doing so can provide leaders with meaningful insights. As in any setting, peoples' experiences at work can vary dramatically depending on race, gender, and other factors. While it's valuable to have a broad sense of how all employees are feeling, understanding whether particular groups of employees face more challenging circumstances or negative environments can meaningfully advance equity and inclusion.

How retail industry leaders took action

Walmart and Target both have been leaders in this space. Spurred by the murder of George Floyd just a few miles from Target's headquarters and the global calls for social justice and racial equity that followed, Target CEO Brian Cornell convened a group of Black executives to address the impact on employees. This resulted in an initial $10 million commitment to fund racial justice initiatives, as well as listening tours across the company and the formation of the REACH (Racial Equity Action and Change) committee. The committee is composed of six senior leaders of different backgrounds and focuses on how to enhance the Black experience in hiring, retention, and promotion; in stores as Target guests; in store communities; and in national and local policy.

With support from Target's DEI team, the committee heard from thousands of employees in multiple sessions, then used the lessons learned to guide a number of initiatives. Since REACH was launched, the company has grown Black senior leadership by nearly 40%. Target is also expanding its existing supplier diversity efforts by committing to provide 10,000 hours of pro bono consulting services for BIPOC-owned small businesses in the Twin Cities region, and it plans to spend $2 billion with Black-owned businesses by the end of 2025.

Similarly, Walmart committed $100 million to create a new center on racial equity. The center supports philanthropic initiatives focused on the nation’s financial, healthcare, education, and criminal justice systems. Walmart has made key changes to establish more inclusive practices, including further developing its supplier diversity efforts and recruiting partnerships with historically Black colleges and universities, and ensuring that formerly incarcerated people are appropriately considered for roles. CEO Doug McMillon also established a special committee of CEOs at the Business Roundtable focused on racial equity and justice.

In remarks to his company, McMillon summarized his approach: “To influence and lead change, we are going to use the power of Walmart to invest resources and develop strategies to increase fairness, equity, and justice in aspects of everyday life … Words and feelings matter, but they are not enough. More action is required. We will find new ways to accelerate the desired changes inside our company, and we will also find the ways that our business can influence real change in our country.”

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Cross-Training and Upskilling Build an Inclusive Workforce

To boost the retention and engagement of diverse and underrepresented employees, invest in their professional development.

We consistently hear executives say that the challenge isn't attracting diverse talent or getting people in the door; it's keeping them. And we've found that the solution is almost always the same: To retain underrepresented employees, invest in their development.

One of the clearest ways that companies can demonstrate that they value their employees is by making real investments to help them gain new skills. And more often than not, companies that invest in cross-training and upskilling earn their employees' loyalty while also cultivating a reliable pipeline of talent for management positions.

Employer-sponsored skill development enables employees to advance within the organization and in their careers more broadly. It can include:

- on-the-job training;
- cross-training, stretch assignments, and internal job shadowing;
- professional development funds; and
- tuition assistance.

Why it works

Black and Latinx workers are often at the front lines of the organization, concentrated in low-wage jobs. Therefore, in industries with large frontline workforces, such as retail and food service, investments in cross-training and upskilling can make a real difference. Investing in upskilling low-wage workers can dramatically expand economic opportunity for the people who need it most. It also helps solve an increasingly urgent business challenge: According to the World Economic Forum, companies estimate that by 2024, nearly 40% of workers will need up to six months of upskilling.

In addition, many companies have struggled to meaningfully improve the number of diverse candidates that they recruit and hire into management positions. But upskilling frontline talent establishes a path for developing and raising up diverse talent from within the organization.

The adoption curve

At most companies, some degree of upskilling happens organically at all job levels, but proactive professional development tends to be available only to more senior-level employees. And while it's common for employers to invest in upskilling through programs such as tuition assistance and tuition reimbursement, those opportunities are mostly reserved for white-collar employees. To ensure that tuition assistance advances DEI goals, employers should prioritize up-front payments over reimbursement—the latter puts the initial payment burden on employees and can often lead to negative employee sentiment.

Formal programs that enable entry-level and frontline employees to gain additional skills outside of their day-to-day jobs are far less common. It's an area ripe for investment across cross-training, job shadowing, stretch assignments, and more. As employers scale upskilling programs, prioritizing lower-wage roles and focusing on the equitable distribution of opportunities among diverse and underrepresented talent will be key to improving DEI outcomes.

How H-E-B took action

H-E-B, a Texas-based supermarket chain with more than 350 stores, has made a steadfast commitment to developing its workforce. The company supports its employees, which it calls "partners," through various formal programs.

For instance, H-E-B's School of Retail Management helps high-performing employees build careers as store managers. It includes department-specific, on-the-job training; leadership development; financial skills training; and management skills training. In addition, H-E-B's Manufacturing, Warehousing, and Transportation Leadership Development program is a comprehensive 9- to 12-month program that prepares employees for highly mobile supply chain careers. Beyond programs for specific career paths, the grocer offers all employees cross-training and rotational assignments, as well as classroom and online training. It also helps them create tailored development plans.

In return, H-E-B consistently earns spots on lists such as Glassdoor's Best Places to Work and Forbes' Best Employers for Diversity. The grocer also sees far higher retention and engagement than its industry peers, with a retention rate for department and store managers as high as 95% in recent years. This loyalty extends through all levels of the organization: According to employees, 53% say they would not leave H-E-B if they were offered a job with better pay, and 79% say they are excited to go to work every day.

"This is a purpose-driven place. Part of our mission is to help our partners have great careers," says Craig Boyan, H-E-B's president and chief operating officer.

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To Build Diverse Leadership, Formalize Mentorship and Sponsorship Programs

Mentoring programs specifically designed to support the advancement of diverse talent can encourage underrepresented employees to stay or grow in your organization.

The evidence is everywhere: Despite decades of commitments to DEI goals, even with the increased fervor of the past year, C-suites in corporate America—and the leadership layers below them—still fail to represent the diversity of the nation.

When growing representation, executives often find that recruiting and hiring are the easy steps. In order to retain that talent and help them reach the C-suite, companies need more fair and equitable coaching, development, and review processes.

Mentorship and sponsorship are both critical factors in the long-term success of employees. A mentoring relationship is one in which a senior employee provides a more junior employee with career coaching, advice, and support in navigating their professional development. Distinct from mentorship, sponsorship is a relationship in which a senior employee directly advocates for a more junior employee's advancement within the organization.

Mentorship and sponsorship can play a significant role in fostering inclusive workplaces and ensuring the retention and advancement of diverse and underrepresented talent. Success requires effective cross-race and cross-gender relationships. And to strengthen these relationships, companies need to provide mentors and sponsors with trainings focused on reducing negative stereotypes and promoting effective communication.

Why it works

On average, mentoring programs boost the representation of Black, Hispanic, and Asian-American women, and Hispanic and Asian-American men, by 9% to 24%. What's more, one study shows that people of color who advance the furthest in their careers share a single attribute: a network of mentors and sponsors who have advocated for them along the way.

In order to set up mentors, sponsors, and their protégés for success, leaders must be intentional with their approach. Too often, companies rely on informal mentoring, expecting senior-level employees to take direct reports and junior employees whom they connect with under their wings. Mentors and sponsors usually gravitate toward protégés of their own race or similar backgrounds. For these reasons, formal programs are essential in creating equal access to mentoring and sponsoring opportunities for diverse and underrepresented talent.

Under a formal program, a mentor can give practical advice for the early career stages, while also offering emotional support related to the mentee's lived experience. Later in the mentee's career, it's important for the mentor to provide access to relationships and diverse networks of people who can guide the way to the C-suite.

The adoption curve

About 70% of Fortune 500 companies offer mentorship programs. However, few organizations have optimized them to help achieve DEI goals: Most programs lack structure and training for cross-race relationships, and scarcely any formal programs are specifically focused on developing diverse and underrepresented talent.

Some leaders may believe that the best mentoring relationships form "organically"—that it is better to stay removed from matching protégés to mentors. However, like so many of the DEI practices that we've studied, formal structures and processes can be the best way to serve diverse and underrepresented talent.

How Hilton took action

Hilton Worldwide's Executive Committee Diversity Networking program pairs high-performing, high-potential women and Black, Latino, and Asian people in senior-director to senior-vice-president roles with executive committee sponsors, including the CEO, Chris Nassetta. HR consultants and a diversity team provide guidance on these sponsor-protégé pairings, although relationships can also form organically.

Mentors and their protégés are encouraged to meet on a regular basis. In addition, the company tracks the progress of participants and collects feedback from both parties. Managers have accessible online educational resources, and their performance is reviewed in part based on how they mentored or sponsored their direct reports. Since launching, the company has received numerous awards recognizing this work, and 20% of the inaugural class of protégés has been promoted.

"Mentoring at Hilton is part of our leadership DNA, and we believe that every leader has a responsibility to engage and develop our rising talent," said Kristin Campbell, general counsel and chief ESG officer at Hilton Worldwide. "Mentors are an essential part of professional and personal growth and can help you gain new perspectives and thoughtfully plan your career journey."

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Buying Better: The Benefits of Supply Chain Diversity

When companies make diversity part of their procurement strategy, society—and their own business—benefits

A company's choice of vendors is a powerful display of corporate influence, one that directs significant revenue to those vendors and, increasingly, sends a signal about the company's values. By strategically selecting diverse suppliers such as minority-owned business enterprises and women-owned business enterprises, companies can dramatically advance equity in the broader economy. The evidence increasingly shows that companies also benefit from having a diverse base of suppliers and providers, meaning that such efforts are not just good for society but good for improving business performance as well.

While that clearly makes inclusive procurement a winning proposition, promoting diversity within the supplier base can be a complex undertaking. Companies need a clear strategy to direct spending toward businesses owned by Black people, women, and other underrepresented groups. Companies also need to allocate resources to source, vet, and build capacity among diverse suppliers, as well as the infrastructure and technology needed to track supplier metrics and diverse supplier spending targets.

Why it works

Companies that diversify their supplier bases tap into the economy's full potential and enjoy stronger business outcomes: Those in the top quartile of spending on diverse suppliers save an additional 0.7 percentage points in total procurement expenditures. Diverse procurement can also help companies strengthen their ability to serve as well as their connections with critical growing customer bases: People of color will account for as much as 70% of the total increase in purchasing power from 2020 to 2045. Finally, when a company diversifies its supplier base, it has powerful ripple effects: Minority-owned businesses employ 2.2 million Americans, and revenue earned by business owners of color spurs critical economic development within their communities.

The adoption curve

Inclusive procurement is fairly common, especially among large companies, and is on the rise. Spending on diverse suppliers rose an average of 54% between 2017 and 2020, according to Coupa, a company specializing in business spend management. A more recent trend that more companies are likely to adopt is the practice of requiring suppliers to have their own DEI initiatives. By both procuring from diverse suppliers and requiring those suppliers to meet particular DEI standards, companies can multiply the positive effect they have on economic inclusion.

How UPS took action

Launched in 1992, UPS's Supplier Diversity Program established an annual $2.6 billion budget to do business with 6,000 small and diverse suppliers, and it set a goal of increasing the budget every year. Since its launch, the company reports having a $4.3 billion impact on the economy. These efforts also changed UPS's recruiting practices. After a recent survey conducted for the company found that candidates are 52% more inclined to work for a company that has a supplier diversity and inclusion program, UPS incorporated information about its supplier diversity efforts into its communications with candidates.

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Appendix: Our Methodology

To arrive at the list of research-backed actions presented in this report, we began with nearly 200 actions that we believed, through our own expertise and knowledge of the literature, positively influenced DEI outcomes. We reviewed more than 100 academic research sources, drawing primarily on 3 groups of literature: DEI research, academic and business literature on frontline workers of color, and literature on "good jobs" or "quality jobs."

To be included in our study, a practice must demonstrate at least one "positive DEI outcome" for businesses with respect to supporting diverse talent. "Diverse talent" is a broad set of distinct employee groups defined by specific demographic characteristics, including but not limited to individuals who are women, racially diverse, LGBTQ and/or gender nonconforming, employees with disabilities, and military veterans. Many of the research sources we reviewed focused specifically on Black, Latinx, and women employees.

Positive DEI outcomes are defined as:

- improved rates of recruitment and hiring of diverse talent;
- increased levels of representation of diverse talent within an organization;
- increased feelings of engagement and belonging among diverse talent; and
- increased rates of retention and internal promotion among diverse talent.

The actions covered in this report represent a synthesis of the 200 initial actions considered. We combined several granular actions to improve readability and action orientation.

Pervasiveness

We define pervasiveness as follows:

- more common—practice observed in greater than 50% of companies from available sources;
- less common—practice observed in less than 50% of companies from available sources.

We reviewed four sources of data to arrive at our understanding of pervasiveness:

- Just Capital's Corporate Racial Equity Tracker, a publicly available online database with analysis of the 100 largest companies and the prevalence of 22 data points related to racial equity, roughly half of which are reflected in this report;

- a 2020 survey of more than 500 Year Up alumni describing experiences of young adults moving to a virtual work environment and broader observations on actions implemented by their employers related to DEI;
  - (This survey was fielded in October 2020 among Year Up's 18,000 alumni, largely millennials and Gen Zers, who are representative of the full American experience. We received 552 completed survey responses from alumni with varying backgrounds. Respondents were 56% male and 42% female, with 98% being between 20 and 38 years old. The majority were nonwhite, with 40% identifying as Black or African American, 32% as Hispanic or Latino, 14% as Asian, 5% as white, and 4% as two or more races.)
- data from more than 500 entries on the Opportunity Navigator, a free and publicly available self-assessment tool created by Grads of Life and Talent Rewire that invites self-assessment on key actions related to diversity, equity, and inclusion, 100% of which are reflected in this report; and
- after reviewing these three sources, we added an additional layer of analysis based on our respective client work and anecdotal observation of pervasiveness.

Limitations and key assumptions

The actions included in this report may not represent the only actions with a strong evidence base, and we encourage and invite feedback and suggested additions based on additional literature and academic insight.

We recognize that our calculation of pervasiveness is an imperfect measure and that the sources referenced are a sample of companies but not an exhaustive review.

We additionally acknowledge our bias in the analysis of actions, including the "why it works," and the "adoption curve" sections. As consultants working with organizations on DEI strategy for more than 20 years, we recognize that our experiences and anecdotal observations working in partnership with companies inherently influence our analysis of each practice.

Finally, we recognize that understanding what drives DEI outcomes is, overall, still a nascent academic field. We have been advised by several leading academics in this space that there is still much to uncover about which contextual factors and sets of actions lead to improvements over time, and ultimately, employer willingness to share their experiences with these actions, along with their outcomes data, is a key necessary step in improving the body of literature further.

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GRADS of LIFE

Grads of Life empowers companies to drive equity through employment.

We work with leading employers to create inclusive talent strategies that deliver both social impact and business benefits. Through our data-driven approach, we help companies understand their current positioning and create customized engagements to help them achieve their goals. With deep issue area expertise, we act not only as a consultancy for our clients but as a thought partner and support system, providing the research, tools, and networks they need to create systems-level change. Born through an initiative of Year Up, we have a long history of helping companies address their talent needs while advancing economic justice and are proud to continue to help build the employer movement to close the Opportunity Divide.

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