ADVISOR BLOG | SEP 2021

Data Show Boards Are Taking Steps on Diversity, Equity, and Inclusion

We are in a state of evolution when it comes to tracking, reporting, and goal-setting for diversity, equity, and inclusion (DE&I) measures.

A recent Pearl Meyer On Point survey (to be published at the beginning of October) asked more than 400 directors and c-suite executives if and how they are tracking and reporting DE&I factors, and to what degree DE&I goals are reflected in executive incentive plans.

The survey clearly indicates that most companies are focused on tracking DE&I, which makes sense given that EEO-1 reporting was introduced in 1965 and includes total number of employees by gender and by race. As a result, companies have historically placed importance on “matching” the overall racial and gender demographics of the labor market. More than 92 percent of our survey respondents say they track overall diversity, as well as the diversity of their management teams and senior leadership.

However, what companies track is broadening in scope, as is what they do with that information. In addition to traditional lagging measures (95 percent of respondents track these), turnover rates (79%) or engagement (78%), which look at things that have already happened, more companies are beginning to follow “activity” measures. Examples include tracking new hires (77%) and promotions into management (52%) and top leadership (55%) ranks. These metrics can indicate what is happening currently within an organization so that action can be taken when situations are out of sync with strategic goals.

There is also growing interest—although in the early stages—in tracking participation in activities that can influence the achievement of DE&I goals, such as leadership and development programs to increase internal promotion rates or employee affinity groups that increase inclusion and belonging. Finally, some companies are giving thought to using more detailed or nuanced measurements (such as turnover, a traditional lagging measure) in ways that provides more insight, for example at the employee level or by job function.

All of this data is important for companies to understand their current state and progress on this journey. But when it comes to setting goals, many organizations are hesitating. Of those that track DE&I metrics, the survey shows just 46 percent set goals.

Is there value in “just” tracking? In working with our clients, we do see that gathering information can lead to a better view of possible next steps and thus has merit. While certain companies aren’t setting specific goals, we see them becoming more nuanced in

their data collection and creating a more holistic view of the DE&I landscape. They are actively communicating externally on the subject (46 percent of all respondents in the annual report, 44 percent in the sustainability report, and 39 percent on the corporate website, among other channels) and with employees (52 percent). Survey responses also show that these organizations are planning even more communication in the future.

Finally, our survey shows that while the specifics of plan design vary considerably, 35 percent of responding companies have DE&I represented in some way in their annual executive incentive plans. Another 28 percent indicate they are likely or very likely to include it in the upcoming year.

The data are consistent with the general outlook we hear when talking with directors about DE&I. There's an overall willingness to do the difficult things that can drive change, but that's often counter-balanced with concerns about disrupting the organization, spending "too much" time on it, or detracting from very real and urgent financial imperatives.

Despite the difficulty inherent in some of these issues, it is telling that among survey respondents, the strategic importance of DE&I and its support of the company's talent management and development plans weigh more heavily than external pressures. While progress may feel slow at times, strategically focused boards are committed to achieving a more diverse, equitable, and inclusive organization and unlocking the value that derives from such a workforce.

About Pearl Meyer

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