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Evaluating Your Current DE&I Position



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Diversity, equity, and inclusion (DE&I) are now essential areas of focus for companies. DE&I has been an emerging point of interest for several years and reached a crux in 2020. It is clear companies want to and feel the need to incorporate DE&I initiatives into their organizational goals. It is less clear what the best way to go about this is. Should executives be held accountable to specific quantitative DE&I goals? Should the goals be more holistic in nature? Do DE&I goals belong in short- or long-term incentive plans? The answers to these questions are unique for each company, but the common denominator for all organizations is the need to understand their current state and identify areas for improvement. The following questions and commentary provide an outline for companies to think through the most appropriate way to approach and incorporate DE&I initiatives in

their own organizations.

Questions	Actions to Put into Practice	Commentary
Where does our organization have gaps in equality and/or opportunities?	▪ Conduct pay equity, pay gap, and opportunity analyses to find areas for improvement from both a gender and race/ethnicity perspective ▪ Administer an employee survey on inclusivity to identify perceived gaps and take a pulse on the organization's current state	▪ Allows organization to see where there are gaps among ALL employees, not just at the executive level ▪ Provides opportunity to correct inequities for all employees and mitigates legal risk ▪ Helps identify where the company should focus its DE&I initiatives ▪ Provides baseline for evaluating/comparing future results ▪ It is appropriate to repeat these analyses and surveys as the organization evolves to monitor DE&I improvement
How do we monitor DE&I progress in the areas that are important to our organization?	▪ Define metrics that align with the areas of desired progress; for example: • Progress on inclusivity/engagement surveys • New hire, promotion, and retention rates of minorities overall and in leadership positions • Participation in DE&I training ▪ Use an index or scorecard approach to communicate the DE&I health of the organization on a continual basis	▪ Provides a holistic view of DE&I at the company ▪ Will require monetary investment to track multiple goals (e.g., conduct employee surveys, training, etc.) ▪ Demonstrates the organization's commitment to DE&I objectives ▪ Can help promote an inclusive environment
What practices can we embrace to advance our DE&I objectives more quickly?	▪ Evaluate and enhance recruiting and selection processes • Diversify recruiting sources • Become involved in affinity-based organizations • Adopt blind resume screening • Require diverse slates for leadership and management positions ▪ Establish a DE&I Council to champion change efforts within the organization ▪ Build leadership skills in the area of inclusion and belonging	▪ Requires senior level management support to be successful
Should we set specific goals related to DE&I?	▪ After gaining experience tracking metrics, it may be appropriate to set specific goals to achieve on an annual basis ▪ Be careful if deciding to set specific representation goals (gender and/or race/ethnicity) for leadership positions or other key areas ▪ Avoid setting goals regarding the pay gap	▪ Demonstrates commitment to diversity ▪ Provides clarity on degree of improvement desired ▪ May limit talent pool when hiring if have not adequately expanded candidate pool ▪ Could result in unintended constraints on the company ▪ Goals to fully eliminate the pay gap may be unachievable due to society's pressures and influence on men and women (women are more likely to leave the workforce to take care of children and aging parents, so they are not able to "climb the ladder")

Incorporating DE&I objectives into incentive plans should only be considered once an organization has established its DE&I infrastructure. This implies having a clear baseline, selecting measures which provide a strategic viewpoint into DE&I health, a strong track record of measuring these metrics, and an appetite for setting goals for change.

It is relatively simple to select easily measurable figures such as representation percentages, hiring and promotion rates, and/or turnover rates at the firm level or among leadership positions. While easy to measure, overall representation is a lagging measure which changes slowly over time. Hiring and promotion rates provide a clearer insight into actions that are taking place to achieve greater diversity. Turnover, on the other hand, provides a perspective on inclusiveness. If there is a single area that an organization wants to focus on to make progress, it may be appropriate to consider one of these metrics in an incentive plan. That said, focusing solely on one metric may be too narrow for most organizations and fails to acknowledge the complexity of truly advancing an organization's DE&I agenda.

To create a more holistic view, we suggest using a diversity health index or scorecard (accounting for recruiting, retention, promotions, succession planning, performance management, etc.). This allows a company more flexibility to evaluate results from a broader perspective. Over time, an organization can determine how to best employ this scorecard to drive change. It may be something shared with the executive team, all leaders, all employees, and eventually incorporated into an incentive plan.

Incorporating DE&I issues into corporate initiatives and goals will continue to evolve. To determine the best path for each organization, it is essential to understand the company's current state. Pay equity and/or gap analyses along with a DE&I survey will provide a baseline and help to design the most effective approach for incorporating DE&I into the organization's initiatives. It is not out of the realm of possibility that DE&I initiatives and goals belong in incentive plans, but it is imperative to conduct a more thorough analysis before taking that action to understand where the organization is and where it wants to be.

About the Author

Libbie advises on executive and board pay, focusing on peer group development, benchmarking, incentives, change-in-control/severance arrangements, transaction support, and proxy advisory considerations.

About Pearl Meyer

Pearl Meyer is the leading advisor to boards and senior management helping organizations build, develop, and reward great leadership teams that drive long-term success. Our strategy-driven compensation and leadership consulting services act as powerful catalysts for value creation and competitive advantage by addressing the critical links between people and outcomes. Our clients stand at the forefront of their industries

and range from emerging high-growth, not-for-profit, and private organizations to the Fortune 500.