

# Making sense of equity, diversity and inclusion

The business case and Generation's expectations:

A guide for companies

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## 1. The business case for equity, diversity and inclusion (EDI)

The business case for equity, diversity and inclusion (EDI), we believe, is clear. While more research is undoubtedly needed, a large number of studies have given us confidence in this view.

Diversity, the research shows, makes decision-making better. Scott Page of Michigan University has shown that, for complex tasks, a diverse group displaying different perspectives outperforms a group of experts which is non-diverse<sup>1</sup>. James Surowiecki, the author of 'The Wisdom of Crowds', goes one step further. Diversity contributes not only by adding different perspectives, but also by making it easier for individuals to say what they really think. This makes it easier to reach wise decisions<sup>2</sup>. We therefore believe that companies which adopt meaningful EDI policies are likely to see superior financial performance over the long run.

EDI is also associated with employee wellbeing. Nearly a quarter of the questions in the survey used to create Fortune's annual list of the US's best companies to work for are EDI-related. However, recent academic analysis of employee responses to these EDI-related questions<sup>3</sup> found that being highly rated for EDI by employees is complex and about more than just diversity statistics. For example, having a higher ratio of women or racial/ethnic minorities on the Board had no correlation with positive responses to EDI-related questions; while having a higher proportion of women in executive roles did. As the authors note, "companies can 'hit the target, but miss the point'". Generation's expectations for corporate disclosure and action on EDI are therefore both detailed and nuanced.

## 2. Generation's expectations

**Our core ask is this: alongside disclosing comprehensive EDI data, companies should publish plans – ambitious plans – for achieving the diversity they seek.**

We expect EDI plans to be championed by the CEO. Companies should also set a clear date by which their objectives should be met.

We go into more detail below.

### i. EDI data

We believe that disclosure of EDI data should cover:

- the gender and racial/ethnic diversity of:
  - the Board
  - executive committee
  - key managerial and professional populations
  - the workforce as a whole.

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<sup>1</sup> Scott E. Page, The Diversity Bonus, 2017

<sup>2</sup> James Surowiecki, The Wisdom of Crowds, 2005

<sup>3</sup> See Edmans, Flammer and Glosser, [Diversity, Equity, and Inclusion](#), 2023

- a description of the company’s EDI plan – the goals, policies and programmes in place.
- data which enables investors to measure progress – including on hiring, promotion, attrition and pay ratios, as well as the employee experience of EDI measured via surveys. US companies should publish EEO-1 data.

## ii. EDI plans

More specifically, EDI plans should, in our view:

- include short-term targets for gender and racial diversity, linked to compensation and/or performance reviews.
- address with utmost urgency any glaring deficiencies in basic diversity at governance and senior leadership level (i.e. Board and executive committee). We define “glaring deficiency” as less than one-third representation of women, and/or no one from a minority racial or ethnic group (interpreted according to geography).
- include a comprehensive suite of interventions covering, at a minimum:
  - programmes for the sponsorship of diverse talent;
  - training on inclusive behaviour, e.g. managing biases, improving voice and belonging, creating a learning culture and anti-racism;
  - anti-discrimination, abuse and harassment policies;
  - initiatives to grow the pipeline of diverse talent in industries and professions; and
  - policies to enable men and women alike to combine careers with caring responsibilities.
- be adequately resourced, with sufficient dedicated headcount. This might include the appointment of a Chief Diversity Officer.

Our vision of “good” includes targets to achieve, by 2030 or sooner:

- gender parity on the Board, executive committee and throughout the organisation.
- racial and ethnic representation throughout the organisation which reflects the societies from which the company recruits and the customers that the company serves.
- no structural differences in the roles performed by women and minority employees.

## 3. The organisational changes necessary to implement a successful EDI plan

Our research indicates that the most effective tools for promoting EDI are:

- a) **CEO leadership**, in the form of ownership of EDI goals, championing the benefits of diversity and appointing diverse talent to senior leadership positions.

- b) **Sponsorship** of diverse talent by senior colleagues, and organisational monitoring that sponsorship is equitable.
- c) Collection and monitoring of **data**:
  - diversity on the Board, executive committee and those who directly report to the executive committee;
  - diversity in managerial and professional populations;
  - diversity in the workforce as a whole;
  - diversity data should include at least gender and race/ethnicity, and preferably data on other under-represented minorities (e.g. disabled, LGBTQ+), as well as on age and socio-economic status.
- d) **Targets** (which cover multiple parts of the pipeline and the business).
- e) Rigorous **auditing** (e.g. statistics on hiring, promotion and attrition; pay equity and pay ratios; and inclusion metrics registered in employee surveys).
- f) **Transparency and accountability** (public disclosure of diversity targets and substantive disclosure of monitored EDI data).

## 4. Company examples

- **Accenture**: Has committed to achieve gender balance in its workforce by 2025<sup>4</sup>
- **BHP**: Set a goal in 2016 to achieve gender balance globally by 2025<sup>5</sup>
- **Brown-Forman**: Published a 10-year Diversity and Inclusion Strategy. The goal is, by 2030, to have a gender-balanced global workforce, with parity at the professional and leader levels, and 40% female representation at the senior leadership level, as well as 25% representation of people of colour in the US<sup>6</sup>
- **Google**: Publishes the most detailed diversity data we have seen, including hiring and attrition.<sup>7</sup>
- **Intel**: Discloses detailed gender and ethnicity statistics and has set targets to double the number of women and underrepresented minorities in senior leadership roles and exceed 40% representation of women in technical positions<sup>8</sup>
- **Microsoft**: Publishes a detailed, standalone Diversity and Inclusion report<sup>9</sup>
- **Novozymes**: Committed to achieve gender balance and mirror the diversity of the surrounding societies by 2030.<sup>10</sup>
- **Recruit Holdings**: Committed to achieve an approximately 50% representation of women in senior executive roles, in managerial positions, and of total employees within the Company by 2030; as well as an approximately 50% representation of women as Directors of the Board and Audit & Supervisory Board members by 2030<sup>11</sup>

<sup>4</sup> <https://www.accenture.com/be-en/about/inclusion-diversity/gender-equality>

<sup>5</sup> <https://www.bhp.com/sustainability/people/inclusion-and-diversity/>

<sup>6</sup> [https://static.brown-forman.com/wp-content/uploads/2020/06/08110807/Many-Spirits-One-Brown-Forman\\_-\\_DI-Strategy-2030-Gender-and-Race-Edition.pdf](https://static.brown-forman.com/wp-content/uploads/2020/06/08110807/Many-Spirits-One-Brown-Forman_-_DI-Strategy-2030-Gender-and-Race-Edition.pdf)

<sup>7</sup> <https://about.google/belonging/diversity-annual-report/2022/>

<sup>8</sup> <https://www.intel.com/content/www/us/en/diversity/diversity-at-intel.html>

<sup>9</sup> <https://www.microsoft.com/en-us/diversity/inside-microsoft/annual-report?activetab=innovation-spotlights%3aprimar4>

<sup>10</sup> <https://www.novozymes.com/en/news/news-archive/2021/9/novozymes-is-unlocking-growth-with-the-ambition-of-doubling-company-revenue-by-2030>

<sup>11</sup> <https://recruit-holdings.com/en/sustainability/>

- **Trane:** Has set the following goals for 2030: (a) to attain gender parity in leadership and (b) to achieve workforce diversity reflective of the company's communities, including increasing the racial and ethnic diversity of its salaried (rather than hourly paid) population in the US by 50% from 17% to 26%<sup>12</sup>
- **Twilio:** Has a goal that, globally, women should make up 50% of Twilio employees by 2023 and that, in the US, under-represented populations should make up 30% of its workforce; runs the engineering apprenticeship programme Hatch<sup>13</sup>
- **Zalando:** Has set a goal to raise the share of women in each of its six top leadership levels to 40%-60% by the end of 2023 and also to increase the share of women in tech job families to 40-60%, again by the end of 2023<sup>14</sup>

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<sup>12</sup> <https://www.tranetechnologies.com/en/index/sustainability/sustainability-reports/esg-report/social/diversity-and-inclusion.html>

<sup>13</sup> <https://www.twilio.com/company/diversity>

<sup>14</sup> <https://corporate.zalando.com/en/our-impact/we-are-committed-diversity-and-inclusion>