

Diversity & Inclusion Report 2020

Introduction

This special report from the *Global Leadership Forecast* series examines responses from 2,102 human resource executives and 15,787 leaders around the world to answer key questions to guide diversity and inclusion (D&I) efforts.

For example,

- ▶ How do leaders feel about the state of diversity and inclusion at their organizations?
- ▶ Which industries are leading the way in diversity and inclusion?
- ▶ What are the best practices at organizations with a more diverse pipeline?

Organizations can benefit from this research to improve D&I at their workplaces.

Quick Reference Guide

- Introduction
- Diversity Pays Off
- High-Potential Pools Lack Diversity for Future Bench
- Companies Fail to Follow Through on D&I
- Best Companies to Work for Are Leading in D&I
- Mind the Gender Gap: Women Struggle to Advance
- Few Industries Show Progress in Leadership Diversity
- Leadership Practices That Drive D&I
- Minority Leaders at Greater Risk of Departure

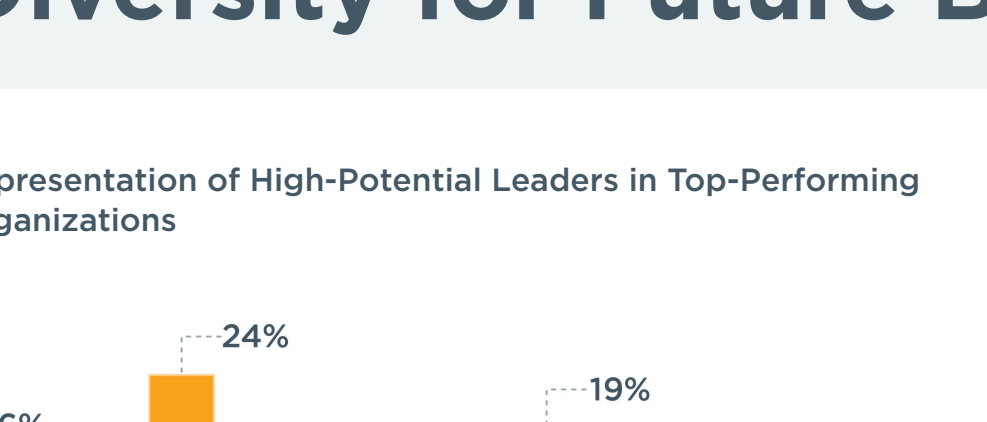


Diversity Pays Off

Organizations That Financially Outperform Industry Competitors Have More Leadership Diversity

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Companies are increasingly paying attention to D&I, and with good reason. Our *Global Leadership Forecast* research has consistently shown that organizations with a more diverse workforce have an edge. Having a higher proportion of women and minority leaders is the most strongly linked factor to financial performance. In fact, diversity has a greater impact on financial performance than any other organizational demographic factor.

In our study, we found that organizations with above-average gender and racial/ethnic diversity had at least 30% women and 20% leaders from diverse racial/ethnic backgrounds in leadership roles. These organizations were eight times more likely to be in the top 10% of organizations for financial performance. This data demonstrates that not paying attention to D&I can impact an organization's bottom-line—for the worse.

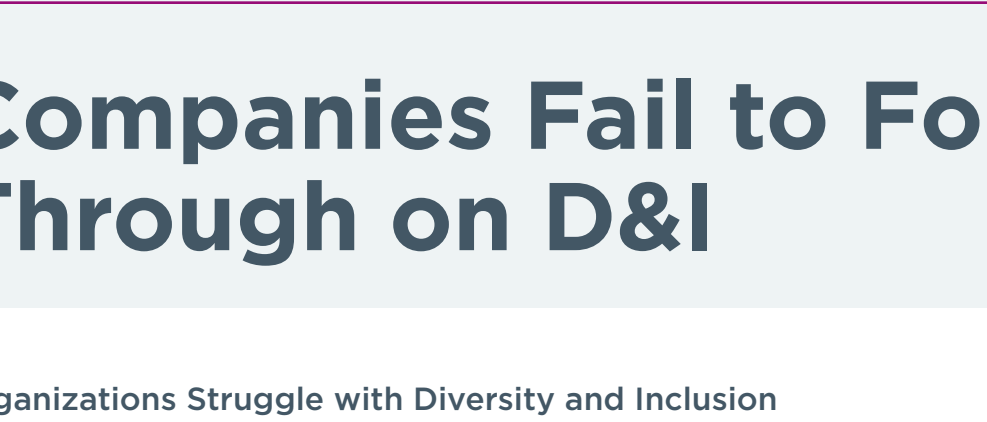
Organizations with above-average diversity are 8x more likely to be in the Top 10% for financial performance.

High-Potential Pools Lack Diversity for Future Bench

Representation of High-Potential Leaders in Top-Performing Organizations

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Our findings double down on evidence that there's a diversity premium. This is especially true when it comes to developing high-potential pools and seeing bottom-line impacts. Organizations we surveyed in the top 10% for financial performance report that women make up 24% of their high-potential pool, and 19% are people from diverse racial/ethnic backgrounds.

On the other hand, organizations with below-average financial performance report less diversity within their high-potential pools. On average, their pools include only 16% women and 12% people from diverse racial/ethnic backgrounds.

On average only 16% of high-potential leaders are from minority racial/ethnic backgrounds.

Companies Fail to Follow Through on D&I

Organizations Struggle with Diversity and Inclusion

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We asked leaders to rate their organizations on several key factors tied to advancing D&I. Globally, leaders say their organizations struggle to bring in and promote diverse perspectives. Fewer than 1 in 4 leaders (24%) reported that their organization consistently recruits and promotes from a diverse talent pool.

Perhaps more concerning is companies' ability to retain diverse candidates once they've brought them in, which depends on creating an inclusive environment where people feel they can grow and thrive. Only 27% of leaders feel that as a result, a strong part of their organization's culture and values. As a result, many companies may not be achieving the full benefits of having a diverse and inclusive culture.

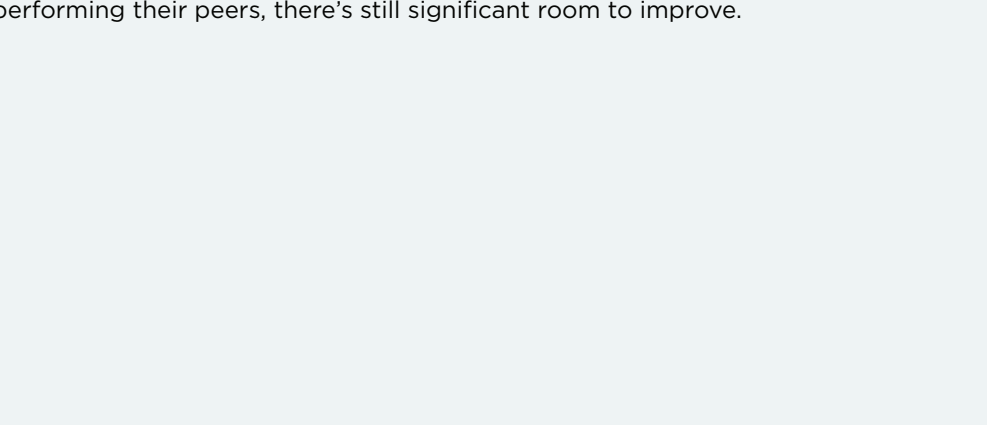
Fewer than 1-in-4 leaders say their organization recruits and promotes from a diverse talent pool.

Best Companies to Work for Are Leading in D&I

Percentage of Leaders Selecting "Definitely True"

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Our study revealed just how deeply D&I efforts resonate throughout the organization's workforce. Across the board, leaders from companies that qualify as "Best Places to Work" rate their companies as substantially higher across several areas related to D&I.

Most significantly, they stand out for inclusion. Slightly more than one-third (35%) of leaders from best companies to work for say that inclusion is a strong component of their work culture and values. This is in comparison to only 20% of leaders from other companies not labeled as best companies to work for.

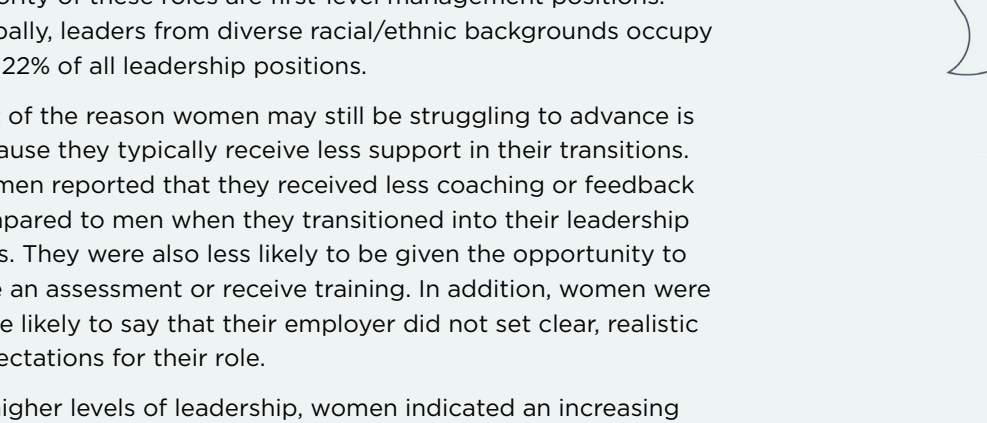
Best companies to work for rate 75% higher for inclusion.

Mind the Gender Gap: Women Struggle to Advance

Percentage of Leadership Roles by Gender

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Organizations have much to gain by capturing and leveraging diverse perspectives within their workforces. Yet most are lacking gender diversity at all leadership levels.

According to demographic data provided by more than 2,000 organizations around the world, women currently comprise less than one-third (29%) of all leadership roles. And the large majority of these roles are mid-level management positions. Globally, leaders from diverse racial/ethnic backgrounds occupy just 22% of all leadership positions.

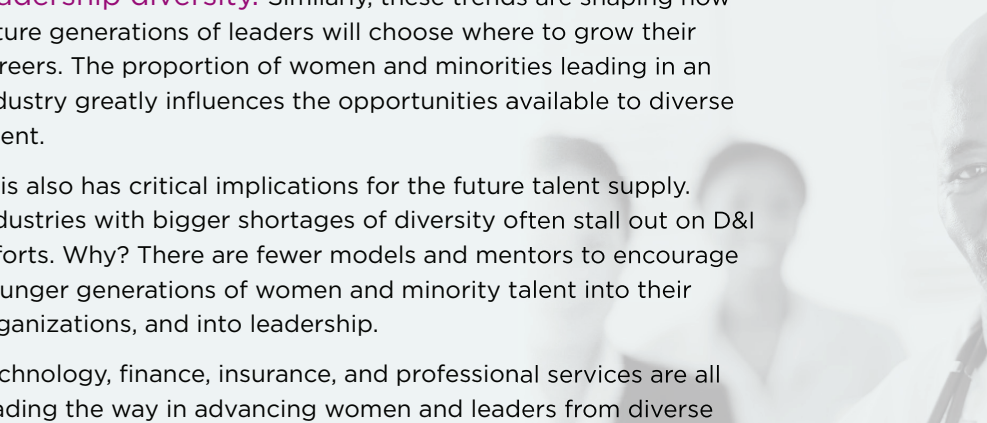
45% of women executives said they would likely need to switch companies to advance compared to 32% of male executives.

Few Industries Show Progress in Leadership Diversity

Diversity by Industry

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There are clear trends in how industries stack up on leadership diversity. Similarly, these trends are shaping how future generations of leaders will choose where to grow their careers. The proportion of women and minorities leading in an industry greatly influences the opportunities available to diverse talent.

This also has critical implications for the future talent supply. Industries with bigger shortages of diversity often stall out on D&I efforts. Why? There are fewer models and mentors to encourage younger generations of women and minority talent into their organizations, and into leadership.

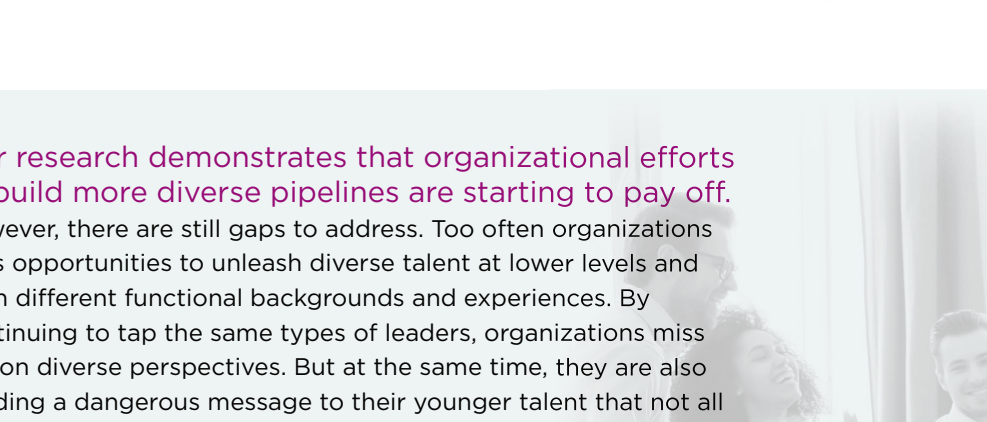
Technology, finance, insurance, and professional services are all leading the way in advancing women and leaders from diverse racial and ethnic backgrounds. Healthcare continues to stand out as the only industry with a majority of women leaders. This industry also leverages a more diverse pipeline of employees from different racial/ethnic backgrounds.

Leadership Practices That Drive D&I

Isolating the Leadership Practices That Drive Diversity and Inclusion

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Our research demonstrates that organizational efforts to build more diverse pipelines are starting to pay off. However, there are still gaps to address. Too often organizations miss opportunities to unleash diverse talent at lower levels and from different functional backgrounds and experiences. By continuing to tap the same types of leaders, organizations miss out on diverse perspectives. But at the same time, they are also sending a dangerous message to their younger talent that not all differences are valued.

This is a prime opportunity for HR to be involved in strategically guiding efforts that impact the bottom line. Our research reveals opportunity to leverage three leadership practices most predictive of advancing D&I:

Best companies to work for rate 75% higher for inclusion.

Minority Leaders at Greater Risk of Departure

Average Number of Promotions in Past Five Years

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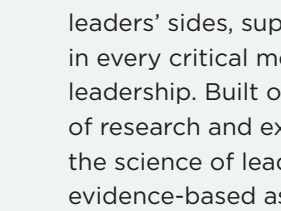
Over the past decade, there's been an increased commitment to advance diverse leaders. And many companies have even set public goals for more. A company's D&I goals must certainly fall short if personalized development is not part of the equation.

At every level of leadership, the promotion rate of leaders from diverse racial/ethnic backgrounds was significantly higher than non-minority leaders. This was especially true at the C-level, with leaders from diverse backgrounds having a promotion rate that was 60% faster than other leaders.

8x more likely to be in the Top 10% for financial performance.

However, diverse leaders were also more likely to have key development experiences in their background, specifically leading a profit and loss function and completing at least one international assignment.

While leaders from minority backgrounds may be advancing, they are more likely to feel the need to switch companies to progress their careers. Across all levels, minorities were significantly more likely to say they expected to have to change companies to advance. In addition, they were also much more likely to say that they plan to leave within the next year. This is especially true among senior-level, minority leaders, who are more than twice as likely to leave as their non-minority peers. Companies should ensure that they're not only paying attention to hiring for diversity, but how they are retaining diverse talent.



About DDI

DDI is a global leadership consulting firm that helps organizations hire, promote, and develop exceptional leaders. From first-time managers to C-suite executives, DDI is by leaders' sides, supporting them in every critical moment of leadership. Built on five decades of research and experience in the science of leadership, DDI's evidence-based assessment and development solutions enable millions of leaders around the world to succeed, propelling their organizations to new heights.

For more information, visit daiworld.com.

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