



Global Leadership Forecast Series

Diversity, Equity, and Inclusion
Report 2023





The Largest Leadership Study of Its Kind

The *Global Leadership Forecast* series is the longest-running global study of leadership aimed at understanding current and future leadership best practices. This year's study, *Global Leadership Forecast 2023*, is DDI's tenth forecast since starting this stream of research more than 23 years ago. This report examines responses from 1,827 human resource professionals and 13,695 leaders from 1,556 organizations around the world. The research, which spans more than 50 countries and 24 major industry sectors, summarizes best talent practices and provides key trends to guide the future of leadership. The full set of leader demographics is depicted below.





Introduction

On the Brink of a DEI Backslide

Amid several years of intense public discussion about the state of diversity, equity, and inclusion (DEI) at work, many organizations made loud commitments to supporting DEI in their companies. Now, in the wake of several exhausting years of the pandemic and uncertain economic headwinds, many companies are on the brink of a serious backslide on DEI progress.

And they are doing so at the cost to their own business success.

Across the board, women and minority leaders are ready to leave their companies at significantly higher rates than men and non-minority peers. However, we found little connection between leaders who intend to leave and the opportunities they had for advancement. Instead, we discovered a strong association between intent to leave and a lack of trust in their organization.

There are several indicators that companies are putting less focus on DEI than they were a few years ago. While labor and economic challenges may have taken focus away from DEI, companies that have allowed their DEI efforts to languish are seeing a significant business impact. These companies are seeing weaker business performance, lower bench strength, lower engagement, less ability to meet customer needs, and more.

In our *Diversity, Equity, and Inclusion Report 2023*—part of our *Global Leadership Forecast* series—we examined responses from 13,695 leaders and 1,827 human resource executives around the world about the state of their company's leadership and DEI efforts.

The data show few positive indicators since we last published our *Diversity & Inclusion Report 2020*. Indeed, there are several areas that show reversals of progress. However, among these findings are clear opportunities for success, and examples of how thriving companies have integrated DEI into the way they work for stronger overall business results.

It takes high-quality DEI practices to get diverse talent in the door, but high-quality leadership to make them want to stay.

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Table of Findings

1. The Great Diversity Departure

Organizations may be more at risk of losing their highly talented women and minority leaders than they realize. And it's likely not for the reasons they think.

2. Diversity Delivers at the Bottom Line

Some companies may be quietly shifting their attention away from DEI as other business challenges arise. However, companies that focus on succeeding in DEI are also more likely to see better business results.

3. Companies Fail to Deliver on DEI Promises

In the wake of a flurry of company commitments to DEI over the past few years, many companies haven't done enough to follow through in their practices. And leaders—especially experienced ones—are becoming more skeptical.

4. Inclusion Drives Bench Strength

Amid CEOs' increasing concern about the state of their empty leadership benches, companies need to expand their definitions of leadership potential. Those that are embracing more inclusive practices are seeing more strength in their bench.

5. The Burnout Generation

Preparing next-generation leaders for higher-level roles is a top concern for most organizations. Unfortunately, younger generations are reporting more burnout, which should cause organizations to rethink the leadership culture they are creating.

6. Quality DEI Programs Deliver Results

Top company executives have often wondered whether the investment in DEI programs really pays off. The data show that these programs do deliver better business results, but only if the programs are top quality.

7. Inclusion Doesn't Require an Office

As many companies question the value of returning workers to the office, a key question centers on whether a remote work culture can be inclusive. The answer is a strong yes, but it depends on managers' behavior.

Where to Focus: 5 Crucial Components for DEI Success

There is no singular answer about how to drive DEI success. However, the organizations in our study that are finding success have adopted five crucial components in their DEI strategy.



A Note on Terminology in the Report

In a report focused on how we embrace diversity across many identities and practice inclusive behaviors in our cultures, we recognize that the language we use is important. In this report, we are focused on ensuring that the language we use accurately represents the data and how participants chose to represent their identity.

Gender Identity

Gender is not binary. In our data set, participants self-selected their gender, including an option to write in their preferred identity. Because the number of participants who chose options other than men or women was very small, we were not able to do an analysis of their results with any statistical validity.

As such, this report only breaks down gender in terms of men or women. While this data doesn't represent the full spectrum of gender experiences at work, it offers valuable insights to help organizations continue to advance their DEI efforts.

Racial and Ethnic Identity

One of the strengths of a global study is that we sample from a broad range of races and ethnicities around the world. However, this also makes it difficult to identify specific racial and ethnic groups that are underrepresented on a global scale, as a minority group in one area may be the majority group in another part of the world.

Because our goal is to look at how organizations include people who do not represent the majority racial or ethnic group in their local area, we segment the data in this report based on those who self-select that they represent a minority racial or ethnic group among their peers at work. As a result, the term we use throughout this report is "minority" to represent anyone who does not identify as the majority racial or ethnic group at work.

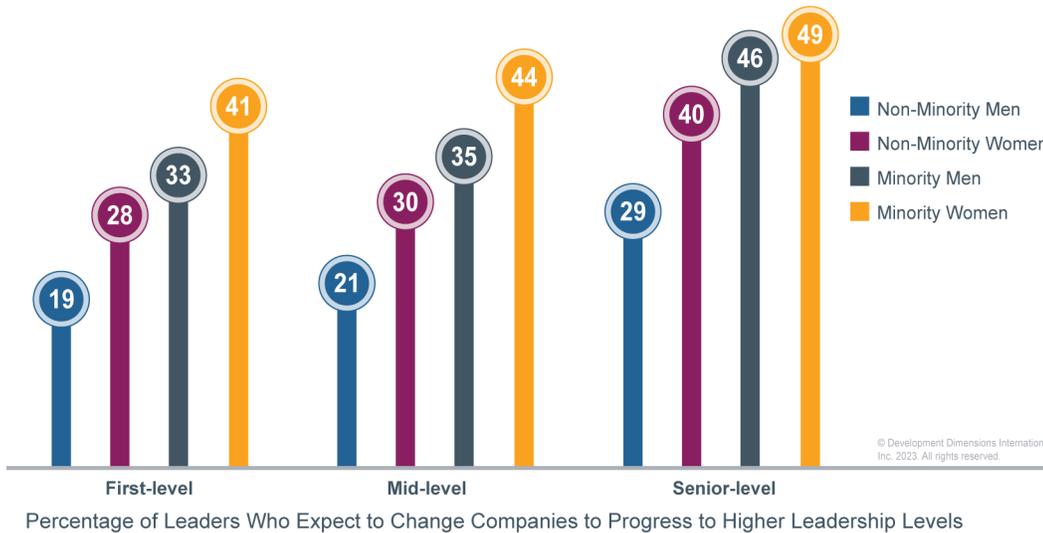


The Great Diversity Departure

More Women and Minority Leaders Plan to Leave to Advance

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Lack of Trust and Ineffective Leadership Are Driving Diversity Out the Door

At every level, women and minorities are significantly more likely to say they need to change companies to advance in their careers. As we looked at the underlying factors of those who intended to leave, there was little evidence that women and minorities were receiving significantly different experiences. In fact, there was little difference in how satisfied they were with their advancement rate, the development opportunities they were given, performance expectations, or work-life balance. And in many cases, minorities reported more favorable rates in these areas.

Rather, the underlying factors behind their intention to stay or leave were primarily related to the environment created by their company's leaders. In order of impact, these are the top drivers of why leaders from diverse backgrounds stay to advance their careers:

- Senior leaders have built strong trust.
- Managers provide opportunities for team members' growth and development.
- Organizational leaders have strong interpersonal skills.
- Managers listen and respond with empathy.

- Inclusion of different perspectives is a strong component of company culture and values.

Having senior leaders who build strong trust with employees is even more critical among mid-level leaders and executives. **Among the 2,155 mid- and senior-level women and minority leaders in our study, 64% of those who did not trust their senior leaders said they felt they had to leave to advance.** By comparison, only 27% of this group said they intended to leave when they trusted senior leaders at their organization.

The data creates a clear picture that companies cannot retain talented women and minority leaders through piecemeal approaches. Rather, they need to create a stronger leadership culture and environment that has inclusion woven into it.

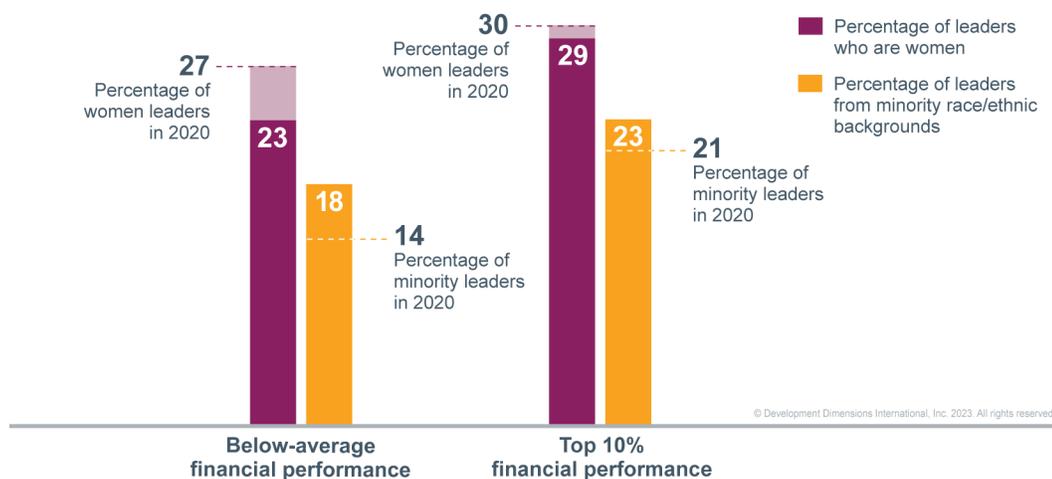
Women are **1.5X** more likely to plan to leave their companies to advance their career than men





Diversity Delivers at the Bottom Line

Organizations That Financially Outperform Industry Competitors Have More Leadership Diversity



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Greater Diversity Helps to Drive Better Business Performance

Although organizations have placed increasing priority on driving diversity in recent years, women and minorities remain underrepresented in leadership roles globally. Overall, companies with greater gender and racial/ethnic diversity tend to outperform their peers financially.

Since we last surveyed organizations in 2020, we've seen a small drop-off of women leaders in top-performing companies, from 30% in 2020 to 29% in this year's study. In underperforming companies, there's been a steeper drop of women leaders, from 27% to 23%. These drops may represent the toll that the pandemic took on women leaders, which have not yet recovered.

On the other hand, companies are gaining ground with ethnic and racial diversity, with numbers rising several percentage points since 2020.

One of the key drivers of increased diversity is high-potential pools. However, high-potential pools still tend to have lower representation of women and minorities than their general leadership population. On average, only 14% of high-potential leaders are women and 11% are from minority backgrounds in low-performing organizations. By

contrast, at companies that are top financial performers, women are 23% and minorities are 16% of high-potential pools, on average.

This focus on developing talent from diverse backgrounds earlier through playful succession management practices is paying off. Beyond the financial benefits, organizations that are developing more high-potential leaders from diverse backgrounds are also:

- 11X more likely to have high-quality leaders overall.
- 10X more likely to have a strong leadership bench.
- 4X more likely to have leaders who understand and act on changing customer needs and perspectives.
- 3.2X more likely to engage and retain top talent.

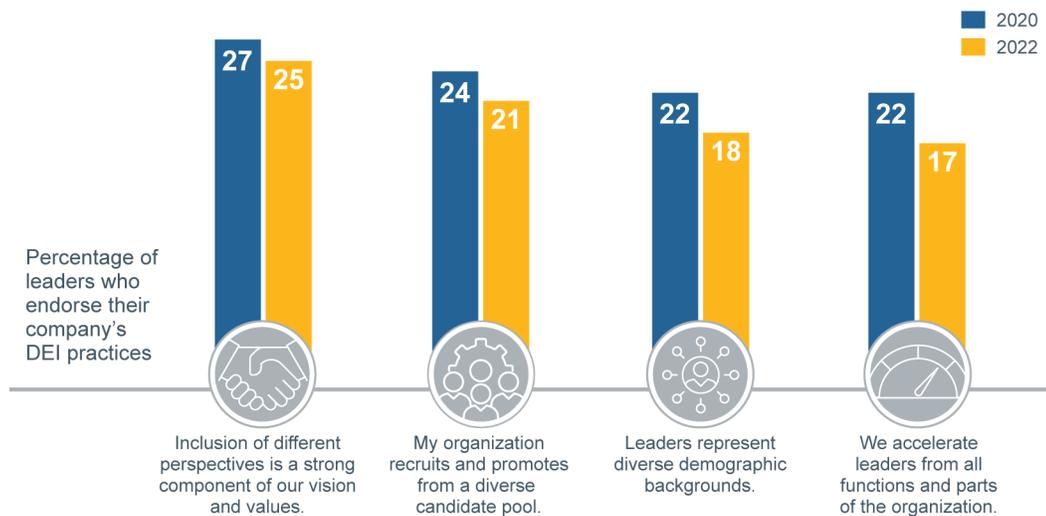
Organizations with above-average diversity are **2.4X** more likely to outperform their peers financially





Companies Fail to Deliver on DEI Promises

Companies Fail to Follow Through on DEI



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Experienced Leaders Have Become More Critical of Their Organization's DEI Efforts

In the past several years, the number of companies pledging to make serious commitments to DEI rose rapidly. However, our survey data shows that few companies have made serious headway against their pledge.

Compared to our survey in 2020, we've seen an average 18% decrease in the number of leaders who endorse their company's overall DEI efforts. Across the board, leaders are less optimistic about their organization's progress in key DEI practices than they were two years earlier.

One possible explanation is that leaders' expectations of DEI programs have risen in recent years. However, there's also evidence that companies may be quietly backing away from their DEI commitments amid increasing economic and labor challenges.

In the previous finding, we noted that many organizations have seen a drop off in the number of women leaders since 2020, especially among poor-performing companies. Additionally, there has been a decrease in the number of organizations that are using DEI programs. In 2020, only 15% of companies did not have a DEI program. That number has grown to 20% in our current forecast.

Another clue behind the drop in scores may lie in generational divides. Surprisingly, younger leaders under 35 were the most optimistic about their organization's commitment to DEI. However, those in the 46–55 age range expressed the most disappointment in their company's DEI efforts. This may be an indicator that these "Gen X" leaders are frustrated with the slow progress they've seen over time, and may be feeling overlooked as many programs target younger workers.

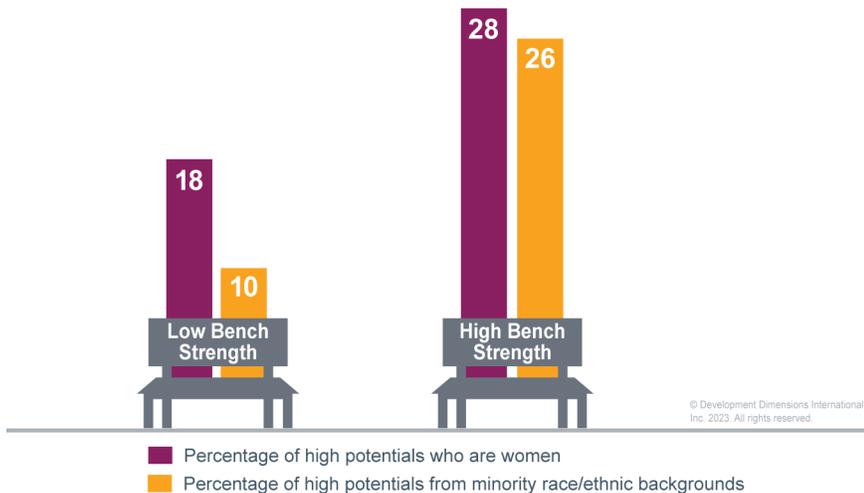
Over the past 2 years, there has been an **18%** decrease in the number of leaders who endorse their company's overall DEI efforts





Inclusion Drives Bench Strength

Organizations with a Stronger Bench Have More High-Potential Diversity



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Organizations Struggling to Build a Strong Leadership Bench Overlook Key Talent

In our main *Global Leadership Forecast 2023* report, we found that companies are struggling with bench strength, as only 12% report having a strong bench. Furthermore, CEOs noted that developing the next generation of leaders was one of their chief concerns, just behind attracting and retaining top talent.

One of the key challenges in creating a strong bench, however, is that many companies think too narrowly about their definition of leadership potential. Bias can serve as a barrier to building bench strength, especially when companies fail to be inclusive in their leadership development efforts. Our data showed that companies that have high bench strength are also significantly more diverse.

In companies with high bench strength, employees from racial and ethnic minorities made up 26% of their high-potential pools, compared to a mere 10% in companies struggling to fill their leadership bench. Additionally, women comprised 28% of high-potential pools at companies with a stronger bench, compared to only 18% in companies with low bench strength.

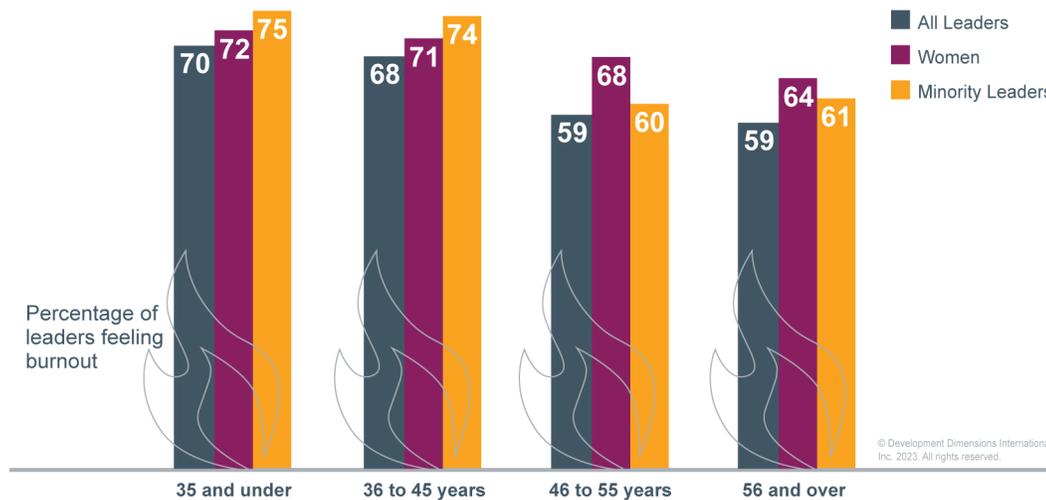
Increased bench strength also corresponds to having a stronger culture of inclusion. In organizations with stronger bench strength, leaders were more than twice as likely to say that inclusion of different perspectives is a strong part of their culture. Managers at organizations with greater bench strength were also 1.8X more likely to challenge old ways of doing things and 1.9X more likely to provide opportunities for their team members' growth and development.

It's clear that companies struggling most to fill key leadership roles may significantly improve their outlook by thinking more broadly about their definition of leadership potential and eliminating bias in their systems that may be causing them to overlook existing talent hidden in their workforce.



The Burnout Generation

Levels of Burnout Soar Among Younger Leaders



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Younger Leaders Are Most at Risk of Burnout

As burnout rates continue to skyrocket in the post-pandemic world, it has become clear that younger generations are bearing the brunt of the challenge. Seventy percent of leaders under age 35 report feeling used up at the end of every day, with rates even higher among women and minorities. The question is why.

One unsurprising explanation is that younger generations are more likely to have caretaking responsibilities, especially of young children. This also contributes to the higher burnout rates of women in every age group.

However, there may be unique pressure for leaders 35 and under to feel they have to achieve perfection. Compared to their older peers, our data showed that these younger leaders are more fearful of revealing personal flaws, sharing something that could be used against them, and being perceived as weak or incompetent.

These fears can cause leaders to push themselves too hard, leading to burnout. **In fact, leaders who expressed these professional anxieties were 1.5X more likely to feel burnout.** Minority leaders and women are even more susceptible to this pressure.

Our research also showed that managers of these younger leaders can practice several key behaviors to help address these challenges:

- Listen and respond with empathy.
- Genuinely acknowledge failures and shortcomings.
- Demonstrate a willingness to be vulnerable.
- Inquire about wellbeing.

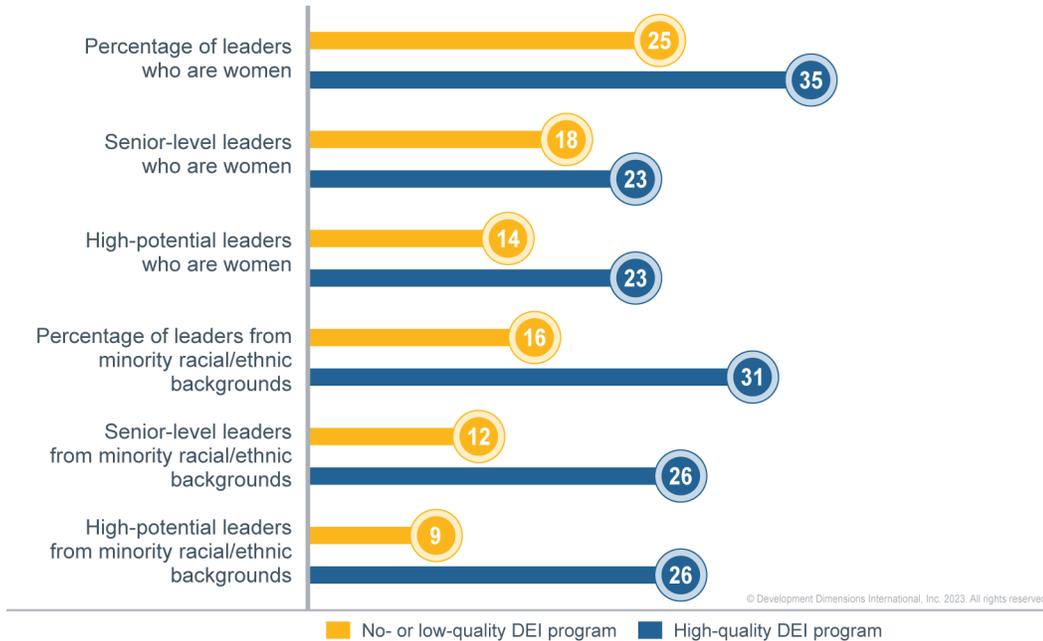
This time investment makes a difference. When managers use these interpersonal behaviors effectively, their direct reports are 1.3X more likely to accept their personal failures, and 1.8X more likely to demonstrate vulnerability. In contrast, when managers do not do these things, their direct reports are 1.8X more likely to report feeling used up at the end of the workday.

These behaviors also influence perceptions of their organizations holistically. **When leaders under 35 had managers show these key behaviors, they were 6X more likely to trust senior leaders in their companies to do the right thing. In fact, the more trust leaders have in senior leadership, the less likely they were to experience burnout.**



Quality DEI Programs Deliver Results

High-Quality DEI Programs Drive Greater Representation



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Quality DEI Programs Connected to Higher Representation of Women and Minorities

Even though most companies have established DEI as a core value, top company leaders may still question whether DEI programs truly move the needle. There can be any number of internal and external factors that affect diversity metrics, however, our research shows that high-quality programs integrate DEI as part of their leadership strategy, prioritizing diverse recruitment and a culture of inclusion across the organization. And this makes a significant difference in driving diversity across the board.

In organizations where HR reported that they have a high-quality DEI program, there was a significantly higher percentage of women leaders at every level. The impact on minorities is even greater, as companies with high-quality DEI programs have nearly double the percentage of leaders from minority racial and ethnic backgrounds. Furthermore, these companies have nearly triple the rate of minority leaders in their high-potential programs.

Leaders within companies with strong DEI programs also recognize the impact that these programs have, both on company culture and the strength of the leadership pipeline. Specifically, leaders at companies with strong DEI programs were:

- 1.9X more likely to say that leaders represent diverse demographic backgrounds.
- 1.8X more likely to say that inclusion of different perspectives is a strong component of their culture and values.
- 1.7X more likely to say their organization recruits and promotes from a diverse candidate pool.



Inclusion Doesn't Require an Office

Leaders Feel a Stronger Sense of Inclusion When Fully Remote



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An Inclusive Culture Is Driven More by Leaders than Location

As many companies debate the merits of in-person versus hybrid or remote work, a key consideration is how work location impacts overall company culture, including a sense of inclusion. While it may seem counterintuitive, our data show that leaders who work remotely overall feel a much stronger sense of inclusion at work compared to their peers working in person or hybrid.

In particular, women leaders who work in person are significantly less likely to report that their organizations feel inclusive. Leaders from minority ethnic and racial backgrounds who work fully remote are also much more likely to feel a strong sense of inclusion in their organizations than those who work either in person or hybrid.

It's also notable that, regardless of where they work, leaders from minority backgrounds feel a stronger sense of inclusion in their organizations compared to their non-minority peers. This is likely due in part to the stronger DEI efforts at their organizations, and that leaders from diverse backgrounds are advancing at organizations that are more inclusive.

The connection between work location and a stronger sense of inclusion may relate to the sense of being seen as a whole person in a trusting culture that enables leaders to work flexibly around other home and family obligations.

However, there's also a significant connection to how managers in remote work cultures drive inclusion. We found that in cultures of high inclusion, managers do three specific things. In order of impact, they are:

1. Fostering and maintaining a relationship that is built on trust.
2. Dedicating time to recognize team members' success.
3. Encouraging team members to raise concerns and challenge the status quo.

When managers consistently demonstrate these effective behaviors, employees are 7X more likely to report that inclusion is a strong part of their culture.



Where to FOCUS ↓

5 Crucial Components of DEI Success

Driving Better Behaviors, Not Just Awareness, Is Crucial to the Future of DEI

Achieving DEI success is no small feat. It requires a sustained commitment at every level of leadership, and a willingness to integrate DEI into the fabric of how the organization operates, rather than as separate initiatives.

In this year's research, we saw several best practices that are consistent across organizations that are leading in DEI. Here are five key practices that help companies move the needle:

- 1. DEI is a clear priority, backed by high-quality DEI practices.** Without support for DEI among top executives, there's little chance of progress. But that support must be more than lip service; it has to be accompanied by putting quality DEI practices into place that integrate inclusion into the organization's day-to-day operations and talent management systems.
- 2. Leaders have strong interpersonal skills, including empathy.** Inclusion and equity come to life through leadership behaviors. Diverse talent is unlikely to stay if their leaders do not have the interpersonal skills to make them feel like they belong, are valued, and have a future at the organization.
- 3. Succession planning involves proactively recruiting high-potential talent from diverse backgrounds.** Building a strong leadership pipeline requires an organization to think more broadly in defining leadership potential, and thoughtfully plan to include a range of skillsets, mindsets, and perspectives into its high-potential pools.
- 4. Senior leaders build trust with employees.** Employees who have traditionally been overlooked and underrepresented in leadership may naturally be more skeptical about senior leaders' commitments to DEI success. It's crucial that senior leaders focus on following through on their promises, practicing transparency, and building trust as part of the way they do business, not just in relation to DEI matters.
- 5. Coaching for growth is crucial.** Managers must provide opportunities for team members' growth and development. In an effort to boost opportunities for underrepresented groups, many organizations make the mistake of putting people in roles for which they are not prepared, without enough support to ensure success. But organizations that succeed with DEI make a conscious effort to develop coaching capabilities across their organization to ensure people get the feedback and coaching they need to grow into new opportunities.

Our data make it clear that investing in DEI delivers stronger business results, both financially and as they reduce risk in their leadership pipeline.

How companies approach DEI is a signal not only of their commitment, but in how they operate on a daily basis to enable talent from all backgrounds to perform at their best. Companies need to be thinking about the overall culture of trust they are building, and how inclusion is an integrated—not separate—part of that strategy.



Global Leadership Forecast Series

Diversity, Equity, and Inclusion Report 2023

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.

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