DIVERSIO INVESTOR LEADERSHIP NETWORK

Portfolio Company Playbook

Starting and Executing a
High-Impact DEI Strategy

A Note from the ILN

This playbook is intended to provide guidance to portfolio companies globally on what they need to do to get started on their diversity, equity and inclusion journeys. The playbook outlines the business value of investing in DEI and explains how to get started on data collection, goal setting, policy development, and tracking and reporting. The Investor Leadership Network strongly believes that for a company to be successful, it needs to have a workforce that is representative of the people it serves, and empower each of its employees to do their best work. This means eliminating systemic biases and barriers that are preventing inhibiting employee performance and happiness at an organization. By following these steps, your company will be able to develop a robust strategy that will maximize your performance and help you meet investor expectations.

Playbook Overview

01 **DEI Matters** →

Reasons why diversity, equity & inclusion (DEI) matter to the growth and success of your company

02 **Getting Started** →

Guidance on how to start your DEI journey, including the importance of strategy and communication

03 **Metrics** →

A set of metrics and best practices you can use to "jump-start" your DEI strategy

04 **Best Practices** →

Examples of specific initiatives that growing companies have used to turn DEI into a business drivers

Why Diversity, Equity, & Inclusion Matters to your Growing Company

DEI Matters

Diversity, equity, and inclusion (DEI) have long moved from being mere buzzwords to essential elements in the corporate lexicon. They are not just ethical imperatives but also crucial drivers of company performance. The benefits of embracing DEI are manifold, from increased financial returns to greater innovation.

As you start your DEI journey, remember that not everyone begins in the same place. DEI is critical for every organization but what DEI looks like in your particular workplace differs depending on your maturity and environment.

Enhanced financial performance

McKinsey's research has consistently shown that companies with greater gender diversity on their executive teams were more likely to outperform their peers on profitability. In 2018, companies in the top-quartile for gender diversity on executive teams were 21% more likely to outperform in terms of profitability than those in the fourth quartile. When considering ethnic and cultural diversity, top-quartile companies outperformed those in the fourth by 33% in terms of profitability[1].

Increased innovation

A diverse team is more likely to understand a broader range of customer needs and, thus, can better drive innovation tailored to a wider audience. A Boston Consulting Group study found that companies with above-average diversity scores had 19% higher revenues from innovations compared to those with below-average scores[2].
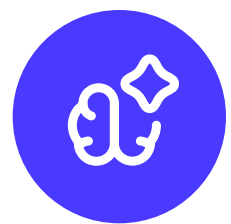
Better decision making

Diverse teams often outthink and outperform homogenous teams. They bring various viewpoints, which lead to a broader range of solutions for business problems. According to a study published in the Harvard Business Review, teams that are diverse make decisions faster with available facts, execute decisions more effectively, and are more innovative in their problem-solving approach[3].

Improved Employee Retention & Talent Attraction

Today's workforce, especially the younger generation, actively seeks employers with strong DEI commitments. A Glassdoor study showed that 67% of job seekers consider workplace diversity an important factor when considering job offers[4]. Moreover, a diverse, equitable, and inclusive environment can boost employee morale and reduce turnover. Happy employees are likely to stay longer and make positive contributions.

Fundraising

Investors recognize diverse and inclusive companies as better positioned for success, leading to improved fundraising opportunities. Companies with strong DEI efforts tend to have higher valuations and stronger stock price performance according to a recent Harvard Business Review study[5].
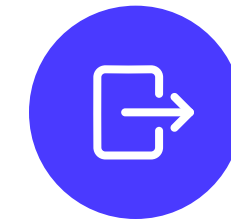
Exit

Companies with diverse leadership and teams often have higher valuations and are generally seen as more attractive for mergers, acquisitions and initial public offerings (IPOs). The Boston Consulting Group revealed that diverse management teams had more innovation related revenue than companies with below average diversity[2], making them attractive for exits.

Access to a Larger Talent Pool

Companies that prioritize DEI open the door to a broader range of talent. By removing biases in hiring processes and promoting an inclusive workplace culture, organizations can attract talent from various backgrounds, experiences, and perspectives, thus enhancing their overall skills and talent pool.
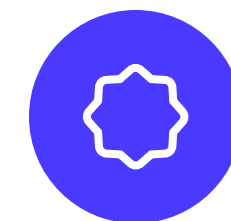
Enhanced Reputation

Companies with strong DEI commitments are often viewed more favorably by customers, investors, and other stakeholders. In the age of social media, where corporate missteps can go viral, upholding DEI can bolster a company's reputation and brand value. It signals to stakeholders that the company is forward-thinking and values social responsibility.

Reduced Legal Risks

By promoting equity and preventing discriminatory practices, companies can mitigate the risk of costly lawsuits and legal entanglements. Apart from the direct financial implications of such legal actions, the indirect costs associated with reputational damage can be far more detrimental.
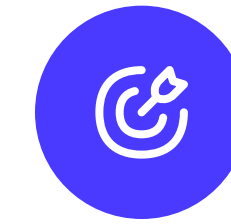
Improved Market Reach

Companies that reflect the diverse makeup of their customer bases are better positioned to understand and cater to their needs. This leads to increased market share and growth. For instance, a Nielsen report emphasized that diverse segments, like the African American population, wield significant purchasing power, underscoring the need for businesses to be inclusive in their marketing and product development[6].

While the ethical considerations for DEI are compelling in their own right, the business case is just as robust. Companies that choose to embed diversity, equity, and inclusion into their core strategies are better positioned to drive financial returns, innovate, and remain competitive in an ever-evolving global market.

Starting Your DEI Journey

Starting your DEI journey

Companies embarking on their diversity, equity, and inclusion (DEI) journey should approach the initiative with genuine commitment and a long-term vision. It is vital to start with introspection: understanding the current state of the company's diversity (demographics), inclusion (employee engagement), and equity (employee outcomes such as pay, promotions, and departures). Leaders should not view DEI as a mere tick-box exercise or a PR move; it requires an ongoing commitment and must be integrated into every facet of the business. It's essential to listen to employees from all levels, especially underrepresented groups, and involve them in crafting DEI strategies.

Using data can help in shaping relevant training, mentorship programs, and hiring practices. Organizations should set clear goals and metrics to measure progress and hold leaders accountable for outcomes. Continuous education, regular reassessment of goals, and willingness to adapt are crucial. Remember, DEI is not just about representation; it's about creating a culture where everyone feels valued, heard, and has equal opportunities to thrive. When thinking about getting started, you should consider four key phases:

1 Collect Data

2 Set Goals

3 Identify Interventions

4 Re-Assess

Journey

Collect Data

Collecting data on employee demographics (diversity), experience (inclusion) and outcomes (equity) is a foundational step in understanding your company's current state and identifying areas for improvement. This data will provide you with a baseline to measure progress and benchmark against industry standards.

Set Goals

Setting DEI (Diversity, Equity, and Inclusion) goals using data is an evidence-based approach that ensures a company's efforts are targeted and measurable. Ensure to set both diversity (representation) and inclusion (employee experience) goals, paying attention to every level of the organizational hierarchy

Identify Interventions

Once you have set your goals, identify academically validated interventions that have been linked to driving improvement with the goals that you set. Ensure that the activities you will be rolling out, are directly linked to driving the outcomes you are looking to achieve.

Re-Assess

After you roll out your new programs and policies, be sure to measure the impact they are having by continuing to collect data on a rolling basis. This will enable you to validate that the investments you are making are paying off as well as to maintain accountability to your leadership team, employees and investors.

Collect Data: Legal Considerations

The collection of demographic data from company employees is a vital component in advancing DEI within the workplace. Gathering this data offers crucial insights into the workforce's composition, aiding in identifying areas needing attention and evaluating the success of DEI initiatives.

The process of collecting sensitive demographic information is subject to legal and environmental considerations. Companies must carefully navigate and abide by the specific privacy legislation relevant to each country where employees reside. This includes privacy laws such as the General Data Protection Regulation (GDPR) in Europe, the California Consumer Privacy Act (CCPA) in the United States, and the Personal Information Protection and Electronic Documents Act (PIPEDA) in Canada. Each jurisdiction's laws have their own nuances in terms of consent, data handling, and the rights of individuals, requiring companies to thoroughly understand and respect the particular legal requirements applicable to their employees. For example:

- Under GDPR, companies must ensure explicit consent for collecting personal data and provide clear information about how this data will be used.
- The CCPA requires businesses to give California residents the right to know what personal data is being collected and the purpose for which it is used.
- PIPEDA emphasizes the principle of obtaining meaningful consent and the importance of privacy protection in the design of systems and operations.

While navigating these legal complexities can be challenging, the importance of collecting demographic data should not be underestimated. With careful implementation of data protection measures & transparent communication, companies can responsibly gather this information for more informed decisions.

Collect Data: Create Your Own Survey

When collecting demographic data from employees, companies should consider a range of categories to effectively capture the diversity of their workforce. Here are some examples:

1. Race/Ethnicity: Include broad categories reflecting global diversity, such as East Asian, South Asian, Southeast Asian, African, Middle Eastern, European, Latino/Latina, Indigenous Peoples, and others. Provide an option for self-description if individuals do not feel represented by the listed options.

2. Sexual Orientation: Offer choices such as heterosexual or straight, gay or lesbian, bisexual, asexual, among others, along with an option for employees to provide their own description.

3. Gender: Categories should encompass man, woman, non-binary/third gender, with options for self-description and for those who prefer not to disclose their gender identity.

Suggestions for Demographic Data Collection

- Inclusivity and Self-Description: Ensure all categories are inclusive and provide a self-description option, avoiding marginalizing terms like "other."
- 'Prefer Not to Say' Option: Always include a 'prefer not to say' choice for each category.
- Clarity and Respect: Use clear, respectful, and non-stigmatizing language.
- Voluntary Participation: Emphasize the voluntary nature of providing this information.
- Confidentiality: Assure confidentiality and transparency in how the data will be used.
- Review and Update: Regularly update the categories to align with evolving societal norms.
- Communicate the 'why': Explain the purpose of the survey to your employees. If employees understand why the information is being collected and how their input will help improve the workplace, they are more likely to participate and give constructive feedback.

Consulting with Third-Parties

Before finalizing demographic categories, it's important to consult with third-party diversity experts and internal and external affinity groups. These consultations can provide insights into the most inclusive and appropriate categories, ensuring that diverse identities are accurately and respectfully represented.

Legal Consultation

Finally, legal consultation is key. Companies should seek advice from legal counsel to ensure compliance with regional privacy regulations. This step is crucial for ethically and legally navigating varying social and cultural contexts globally, particularly in regions where certain personal inquiries might be considered intrusive.

Getting Started: A Step by Step Guide

Step 1 / 9

Understand the Baseline

Start by analyzing the current data to understand the composition of the workforce in terms of gender, race, ethnicity, age, disability, and other relevant factors. This will provide a clear picture of where the company stands. Utilize inclusion and equity surveys to understand how employees from different groups feel about their work environment. This will highlight areas where the company may be falling short in creating an inclusive environment or ensuring equity.

Step 2 / 9

Identify Gaps

Compare your baseline data to broader industry benchmarks or regional demographics. If, for example, women make up 40% of the industry workforce but only 20% of your company, that identifies a gap.

Step 3 / 9

Segment Data by Role and Level

Break down the diversity data by different roles and hierarchical levels. Often, companies may find that while they have diversity at lower levels, upper management or board roles are homogenous.

Set Specific, Measurable Goals

Based on the gaps and feedback identified, set specific targets. For instance, "Increase female representation in senior management by 15% in the next three years" or "Achieve pay equity for similar roles across all demographic groups by 2025" or "Improve our company Inclusion Score by 3 points in 12 months." By rooting DEI goals in data, companies can ensure that their initiatives are targeted and impactful. Using data to guide these efforts means companies can track progress over time, celebrating wins, understanding challenges, and continuously iterating for improvement.

Factor in Retention

It's not just about hiring diverse talent but retaining them. Use data on turnover rates among different groups to set goals related to retention. If a specific group has a high attrition rate, the goal might be to reduce that rate by a certain percentage.

Establish Feedback Mechanisms

Ensure there are channels for employees to provide feedback on DEI initiatives. This continuous feedback loop will help in adjusting strategies and goals as needed.

Step 7 / 9

Review and Adjust Regularly

DEI goals are not static. Regularly review the goals against the progress made. Use updated data to adjust goals, ensuring they remain relevant and challenging.

Step 8 / 9

Communicate and Champion the Goals

Once goals are set, it's essential to communicate them transparently to the entire organization. Leadership should actively champion these goals, integrating them into the broader company strategy and ensuring resources are allocated for DEI initiatives.

Step 9 / 9

Incorporate Accountability

Embed DEI goals into performance reviews, strategy meetings, and company scorecards. Hold leadership and managers accountable for progress, ensuring that the importance of these goals is continuously emphasized.

Accountability

Leadership accountability is paramount in organizational DEI efforts because leaders set the tone, priorities, and values for the entire organization. When leaders are accountable, it signals a genuine commitment to DEI, ensuring that DEI principles are embedded into the company's core strategies rather than being superficial add-ons. Without this, DEI initiatives risk becoming stagnant, inconsistent, or even counterproductive.

The C-suite must understand that action must go beyond token gestures or fulfilling quotas. True accountability involves implementing tangible, measurable actions and policies. It is necessary to set clear DEI goals, track progress, and be transparent about successes and areas for improvement.

Leaders should similarly understand the connection between what they say and how they act. Living DEI values day to day is more challenging (and much more important) than simply making a statement at a Town Hall. As a leader, you should consider how your actions promote inclusion. Ask yourself: Who do I allocate opportunities to? Who do I mentor and sponsor? What we say needs to match our behaviours.

When C-suite executives hold themselves accountable, particularly in reporting DEI metrics to boards and investors, it reinforces the importance of these initiatives. Regularly sharing updates, challenges, and successes with stakeholders not only demonstrates a commitment to these values but also encourages continuous improvement and adherence to DEI principles.

As a first step, consider publishing an annual ESG report and including your DEI goals and accomplishments on your website where they are easily searchable by the public and potential partners. Transparency demonstrates your commitment to DEI and holds the company accountable.

What Does "Great" Look Like?

Metrics

The Investor Leadership Network and Diversio partnered in 2021 to develop a robust framework intended to guide DEI reporting of general partners and their portfolio companies. The framework provides an overview of the way in which companies should be thinking about their DEI journeys, the data they are collecting and the improvements they are looking to make. The framework consists of Fundamental Metrics and Advanced Metrics.

Policy & Governance

Talent Acquisition Strategy

Employee Engagement

Data Transparency

Inclusive Culture

Workplace Safety

Fair Management

Workplace Flexibility

Career Development

Promotions & Retention

Guidance on the Fundamental Metrics

Policy & Governance

Having a formalized framework that enforces consistency, transparency, and accountability in D&I efforts. Such structures ensure that D&I initiatives are not ad-hoc or transient but are ingrained into the company's core operations, strategy, and culture. These policies and governance mechanisms set clear expectations, define roles and responsibilities, and establish mechanisms for monitoring, evaluation, and continuous improvement, thus promoting a sustained commitment to diversity and inclusivity throughout the organization.

Talent Acquisition Strategy

Having a strategy to attract, hire, and retain a workforce that mirrors the diverse perspectives and experiences of the global marketplace. Such a strategy ensures that the company casts a wider net, tapping into a broader talent pool, and consequently benefits from enhanced creativity, problem-solving, and decision-making. A company should approach this strategy as a comprehensive, long-term commitment that aligns with its core values and business goals. This means going beyond mere quota-filling to genuinely understanding and addressing systemic biases in hiring processes. The strategy should encompass a broad range of initiatives, from sourcing and outreach to diverse talent pools, ensuring unbiased screening and interview processes, and promoting an inclusive employer brand. Feedback mechanisms, continuous training for hiring teams on unconscious bias, and clear metrics to measure and report on DEI progress are also vital.

Employee Engagement

Collecting DEI data to understand patterns in employee experience is essential to understanding and eliminating barriers and biases faced by certain employees day to day. Happy and empowered employees will do better work and are also more likely to stay with an organization long term. To understand how to measure employee engagement and integrate the results into your DEI strategy, see Section 2 of this report.

Data Transparency

Transparency in sharing DEI data is pivotal for companies because it establishes trust, demonstrates accountability, and underscores a genuine commitment. For investors, it signals a forward-thinking and responsible management approach, that is responsive to investors' expectations. For employees, transparent data reinforces the company's dedication to fostering an inclusive environment, boosting morale, and aiding in retention. For the public, it showcases the company's alignment with societal values and can enhance its reputation and brand loyalty. Without transparency, a company's DEI efforts may be perceived as superficial or insincere, undermining its intentions and potentially its broader corporate image.

Advanced Metrics

Our advanced metrics deep dive on the specific tenants of employee engagement and outcomes that a company should be measuring to understand whether or not it has facilitated a truly equitable and inclusive environment where every employee has the ability to succeed and is empowered to do their best work. The employee engagement metrics were developed by Diversio in partnership with several academic institutions and have a demonstrated link to inclusion in the workplace. These metrics consider what needs to be true for an employee to be fully actualized in the workplace. The employee outcomes metrics track trends with regards to employee promotions and retention across an organization.

Advanced Metrics: Employee Engagement

Developed based on Diversio's academically validated 5 Metric Inclusion Framework™

The idea behind the metrics (Workplace Safety, Inclusive Culture, Fair Management, Workplace Flexibility and Career Development) is to ensure that all employees feel psychologically and physically safe, are supported by peers and managers, are able to balance their personal and professional needs, and see a future with regards to career growth in their organization.

Workplace Safety

In your experience, is your organization free from harassment?

Inclusive Culture

Do you feel your opinion is valued by your team?

Fair Management

Do you receive fair and objective feedback from your manager on your performance?

Workplace Flexibility

Do you have the flexibility and support you need to manage personal obligations?

(e.g., appts., child/elder care, health matters)

Career Development

Is there someone in a position of influence at your company who is invested in your growth and development?

Promotions

Companies should track promotions by demographic group to foster an environment of equity, inclusivity, and transparency. Analyzing promotions through a demographic lens offers a clearer understanding of potential systemic biases, ensuring that all employees have equal access to advancement opportunities. Such tracking can highlight discrepancies in career progression among different groups, prompting the organization to address any underlying issues. Furthermore, a genuine commitment to equitable promotion practices enhances employee morale, retention, and attracts diverse talent.

Retention

Companies should diligently track the demographics of employees who resign to gain a comprehensive understanding of workplace dynamics and identify potential areas of concern. By analyzing the demographic patterns of departures, organizations can discern if certain groups feel disproportionately disenfranchised, marginalized, or face systemic challenges within the corporate structure. Addressing these discrepancies is vital for fostering an inclusive, equitable, and harmonious work environment. Regularly monitoring such trends not only aids in retaining valuable talent but also helps in pinpointing areas of improvement, thus enhancing the overall health of the organization.

04

Best Practices Examples

Best practices

A deep dive on programs and policies with a demonstrated impact on employee experience and retention.

Inclusive Culture	**Workplace Safety**
Workplace Flexibility	**Career Development**
Promotions & Retention	

Fair Management

Retention

Workplace Safety

Anonymous Harassment Reporting

Anonymous harassment reporting policies are essential in companies to create a safe environment where employees feel empowered to speak up without fear of retaliation. Such policies demonstrate a company's commitment to addressing workplace misconduct while fostering trust among its workforce. By guaranteeing anonymity, these systems encourage more individuals to come forward with their concerns, ensuring that unethical behaviors are surfaced and addressed promptly. This proactive approach not only helps in safeguarding employees' well-being but also upholds the organization's integrity, reducing potential legal and reputational risks associated with unchecked harassment.

Advanced Metric

Workplace Safety

Zero-Tolerance Policy

A zero-tolerance policy for harassment and discrimination is sends a clear message that any form of misconduct is unacceptable and will be dealt with decisively. By actively discouraging harmful behaviors, companies protect their employees' well-being and mental health, ensuring everyone has equal opportunities to thrive. A firm stance against harassment and discrimination mitigates legal risks and preserves the organization's reputation.

Advanced Metric

Inclusive Culture

Recognizing Cultural Days of Significance

Recognizing cultural days of significance underscores a company's commitment to valuing all their employees. By acknowledging these days, companies not only show respect for the varied traditions and histories of their workforce without showing preferential treatment. This boosts morale, enhances team cohesion, and aids in employee retention. Celebrating these days can serve as educational opportunities, broadening the cultural awareness of the entire organization, and promoting empathy and understanding in a multicultural work environment.

Inclusive Culture

Regular Team Building

Team building activities are necessary for employees to feel connected with their peers and leaders (especially in an increasingly remote world). Inclusivity in team building means considering the diverse backgrounds, abilities, and preferences of all employees, ensuring no one feels isolated or overlooked. This may mean forgoing after-work drinks for something more inclusive like a cultural lunch during work hours (an activity which is more friendly to those who may not drink alcohol and parents who may have more constraints outside of working hours.) Inclusive activities promote a genuine sense of belonging, fostering trust and mutual respect among team members. They also encourage broader perspectives and collaborative problem-solving, harnessing the collective strength of a diverse workforce.

Fair Management

Upwards Feedback

The opportunity for employees to provide anonymous upwards feedback to managers and leaders provides leaders with insights into their performance, blind spots, and areas for growth. It promotes a culture of openness, where employees feel empowered to share their perspectives, fostering mutual respect and trust. By encouraging feedback from the ground up, companies can make informed decisions, enhance leadership effectiveness, and ensure alignment between management practices and employees' needs and aspirations.

Fair Management

Inclusive Leadership Training

Training managers and leaders on fairness and inclusivity significantly influences team dynamics and company culture. Such training ensures managers recognize and combat their own biases as well as set an example for broader company culture. Studies show that senior leaders retain significant bias that prevents certain groups of employees to reaching their full potential (e.g., women, people of colour, older employees, etc.) these biases need to be addressed to maximize both workforce performance and inclusion.

Workplace Flexibility
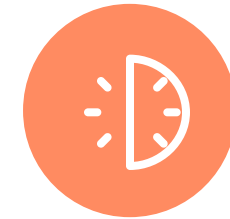
Core Hours

Core hours policies allow employees to vary their arrival/departure times, with a requirement of being present/online during specified "core hours" (e.g., 10:00–15:00). Within this policy, no internal meetings are allowed during the flexible hours outside of the core time. Employees are still expected to work a full day, but have more autonomy over how to allocate their hours. This policy cultivates a more inclusive workplace by not ostracizing or penalizing employees who have personal responsibilities, such as elder care or childcare.

Workplace Flexibility

Returnship Program

A returnship program is a structured initiative designed to help professionals re-enter the workforce after a prolonged absence, often due to reasons like child-rearing, caregiving, or personal sabbaticals. Resembling an internship, it provides returning individuals with training, mentorship, and a temporary position to refresh and update their skills. Having a returnship program taps into a pool of experienced talent, ensuring that valuable knowledge and expertise aren't lost. Such programs demonstrate flexibility and support for employees throughout various life stages, ultimately enhancing organizational culture and reducing turnover.

Career Development
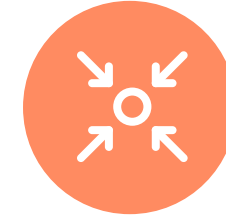
Skip Level Meetings

Skip level meetings, where higher-level leaders engage directly with non-managerial staff, bypassing immediate supervisors, are crucial for promoting transparency and open dialogue. They provide senior management with unfiltered insights into team morale, challenges, and operational nuances. For employees, these meetings offer a platform to make connections with senior leaders and feel valued by upper echelons. Such interactions bridge communication gaps, foster trust, and align organizational goals across levels.

Career Development

Mentorship Program

Mentorship programs at a company foster professional growth and knowledge transfer. They facilitate the development of emerging talent by pairing them with experienced professionals, enabling hands-on learning and guidance. Such programs enhance skill sets and career trajectories as well as bolster employee retention and satisfaction.

Advanced Metric

Promotions & Retention

Employee Outcome Tracking

Monitoring promotions and departures by demographic provides companies with valuable insights to detect and address inherent organizational biases. This ensures equitable opportunity and growth across all demographics. Through this data, companies can also discern if specific employee groups depart more frequently due to unsatisfactory experiences. Recognizing these trends allows companies to take proactive measures, enhancing employee retention and harnessing the full potential of their workforce.

1. McKinsey & Company. (2018). "Delivering through diversity."

2. Boston Consulting Group (BCG). (2018). "How Diverse Leadership Teams Boost Innovation."

3. Harvard Business Review. (2017). "Teams Solve Problems Faster When They're More Cognitively Diverse."

4. Glassdoor. (2014). "Workplace Diversity Survey."

5. Harvard Business Review. (2019). "Investors Reward Companies That Walk the Walk on Diversity and Inclusion."

6. Nielsen. (2019). "From Consumers to Creators: The Digital Lives of Black Consumers."

INVESTOR LEADERSHIP NETWORK

DIVERSIO