HOW TO ACHIEVE THE TIPPING POINT WITH YOUR DEI INITIATIVES.

Whitepaper.

earlybridge.

PEOPLE DRIVEN CHANGE

INTRODUCTION.

Virtually every organization is currently facing significant challenges. The challenges are diverse: digital transformations, talent shortages, climate-related issues, the energy transition, improving efficiency, financial issues, integration of business units, increasing distrust of stakeholders, speed and adoption of new technology, and the adoption of hybrid forms of collaboration.

In addition, the call for a more diverse and inclusive professional setting is growing rapidly, inspired by new generations entering the workplace and by the globalization of workforces.

In this rapidly evolving global business environment, the concepts of Diversity, Equity, and Inclusion (DEI) have undergone a significant transformation. No longer are these principles limited to the margins of corporate social responsibility; they have become central to the strategic sustainability and success of businesses. This shift reflects a deepening understanding that DEI extends beyond moral and ethical considerations. In fact, it has proven to directly influence the long-term viability, resilience, performance, and competitiveness of organizations.

Most of us are familiar with compelling pieces of evidence supporting this shift such as the McKinsey & Company's 2022 report. The study found a clear correlation between diverse leadership teams and financial performance: companies in the top quartile for gender diversity on their executive teams were 25% more likely to experience above-average profitability than companies in the bottom quartile. This statistic not only underscores the business case for DEI but also highlights its role as a strategic imperative in a globally interconnected marketplace.

At the same time, we must acknowledge that the change to a diverse and inclusive culture is a challenge. There is an increasing backlash against DEI: a recent Gartner study stated that 44% of employees at responding organizations felt alienated by DEI initiatives. In addition, working in a homogenous team is much easier and faster than working with people with different backgrounds and views. Before it becomes as efficient, it will take your organisation time, effort and money to establish a truly diverse and inclusive culture.

You may be asking yourself at this point, is it worth the effort? No matter how you measure business success, research proves that DEI is worth it. Organizations prioritizing DEI are not merely taking a stand for social justice; they are strategically positioning themselves to access a diverse pool of talent, perspectives, and ideas, essential for innovation and adaptability in a complex global environment. They are also reaching and connecting with a new kind of customer, that demands transparency and clarity of vision from the companies they buy from.

Recently EarlyBridge had the privilege of hosting an exclusive event to connect DEI theory and research with real-world experience. Senior business leaders and DEI experts from prominent organizations engaged in discussions, sharing their perspectives, challenges, and ambitions. Insights of the discussions have been thoughtfully integrated in this white paper, to enrich our strategic approach with concrete feedback.

A major conclusion that came from the event is that DEI is good for business growth and success, and as such, should be treated just like any other business case to convince those within organizations that don't understand the business advantages.

So how do we make a business case for DEI? What is needed to reach the tipping point? To understand how to get there, we first need to look at what drives companies to start engaging in DEI initiatives in the first place.

HOW DID YOU GET WHERE YOU ARE WITH DEI?
Drivers for DEI in Organizations.

Organizations are choosing to, or being driven to, implement some kind of DEI policies and programs. However, the driver(s) for initial activities in DEI can differ radically per organization. This matters, as the entry point frequently not only guides the maturity model of adoption throughout the organization, it can also lead to varying challenges in the success and speed of adoption.

It's crucial for you to identify what brought you to the place you are now with your DEI initiatives to understand your particular opportunities and challenges with DEI. Where are the sparks in your organisation: those people or teams who are passionate about taking the necessary steps, and are willing to work to make that happen? What were the programs that have been tried, and did they succeed or fail? Has that changed at all since you started, or is it the same people who are always pushing for change?

In order to help you map where you are now within your organisation, EarlyBridge has identified four driver areas as indicated by the matrix below.
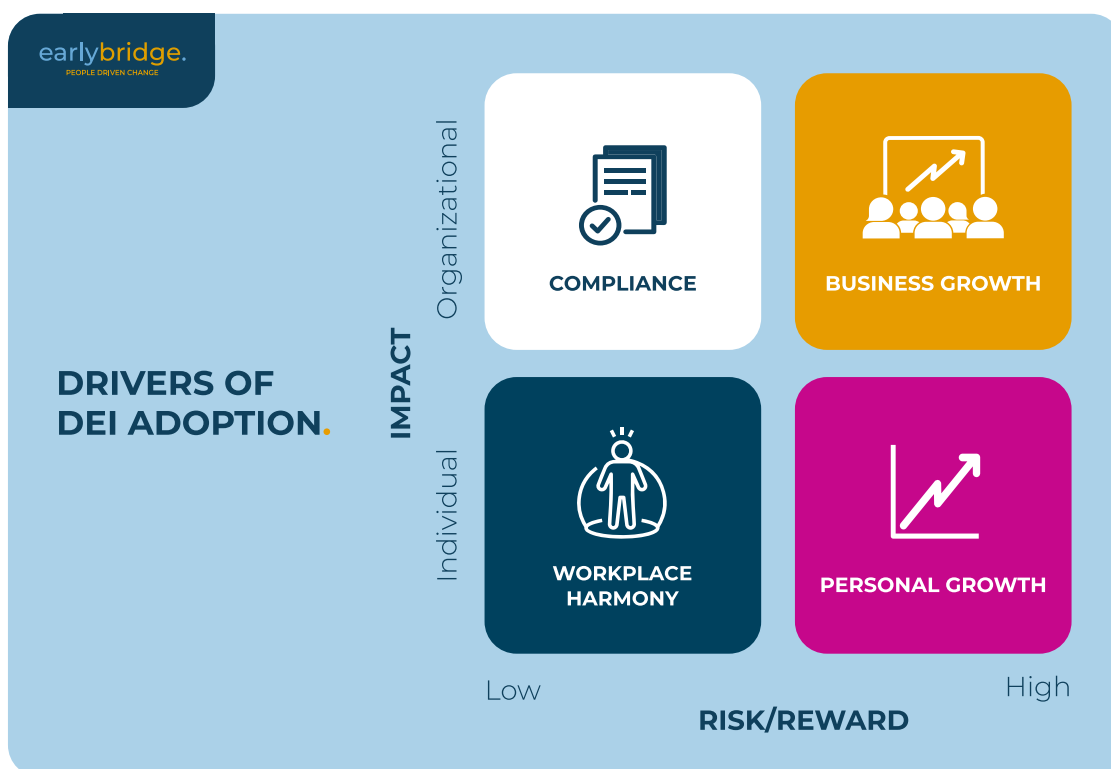
Compliance
The starting imperative for DEI policies and activities frequently comes from an external source. Compliance with governmental policies, quotas set by a Board or by an external regulatory body, market or competitive analysis, or societal pressure can mean that the C-level feels pressure to implement programs to demonstrate commitment to diversity and inclusion. An example of this is the Dutch Diversity Act of 2022, which requires that listed companies have at least 33% female representation on their board.

DEI programs that come from externally driven sources are often decided by C-level, possibly in cooperation with a Board and HR, and are usually implemented in a top-down manner. This means that policies are frequently introduced by the C-suite and handed off to HR to work with department and business managers to implement. This implementation is a top-down instruction, often lacking vision or strategy.

Characteristics are: no or little leadership involvement outside the C-suite, unclarity as to how to achieve quotas or policies and lack of the infrastructure to do so, little resources available to assist and support initiatives, and narrow scope.

Harmony in Work Environment

Another area where the need for DEI programs is often engendered is from the desire of individuals to feel more comfortable in the work environment. This can surface after a merger or acquisition with another company, a change in management, an increase in multicultural and diverse hiring because of policies instituted by the C-suite, or simply the rapidly changing nature of the modern workforce. As a result, the HR departments in many international organizations are reporting an increase in complaints from employees who do not feel comfortable with their colleagues.

The DEI programs in this area are often limited to trainings around "unconscious bias" or non-confrontational communications. The goal is to create a comfortable work environment to limit complaints and reduce burnout and turnover.

Characteristics are: less motivated staff, lower employee engagement, and lower productivity caused by high work absence.

Personal Growth

Over the last 10 to 15 years, the entrance of Millennials and Gen Z people in the workplace has created a profound impact on employer/employee relations. Employees from these generations often expect personal growth programs to be a key part of their tenure at any organization. In an article in Forbes published this year, research showed that more than a quarter of Gen Z people find personal growth opportunities at work the most important thing for them. [source]

This is especially true with top talent, who will frequently leave if they are not provided with individualized growth plans suited to their particular talents. In addition, they expect to be treated as holistic individuals, and their personal selves are as important to them as their "work selves". This includes incorporating work/life balance plans, in combination with corporate visibility and transparency on issues such as engagement in sustainability.

This overlaps with diversity and inclusion programs because the organization needs to approach employees' career growth plans with an understanding of how each individual contributes to the organization uniquely. Organizations that try to implement "one size fits all" career growth programs are losing talent because they lack the understanding of how to motivate and retain generations that are expecting an individualized career growth plan, tailored to their unique needs.

> **Characteristics are:** *attrition in top talent, difficulty to attract and retain Gen Z talent, perception of the company as a bad place to work on channels such as GlassDoor and social media.*

Business Growth

Research has conclusively proven that diversity on both the management and execution level drives business performance. We mentioned the McKinsey research above. In addition, according to Forbes, "companies with representation of women exceeding 30 percent…are significantly more likely to financially outperform those with 30 percent or fewer. Similarly, companies in our top quartile for ethnic diversity show an average 27 percent financial advantage over others." [source]

Organizations that implement DEI policies and activities with an eye on growth involve business leadership in the creation and implementation of those programs. It is not just an "HR policy" that is rubber-stamped or gets left entirely on the shelf. Business leaders are motivated to create, include and motivate diverse teams in their areas of business because it helps them to achieve their business targets.

In a previous white paper, "Organize to Learn" EarlyBridge has looked at the value of decentralizing facilitation and motivation to learn, instead of using the "organize to execute" model. Using the Organize to Learn model, business leaders can harness the power of diverse teams without losing speed, through openness to innovation and creativity from all sources.

Organizations that are successful at incorporating DEI into business areas also include DEI metrics as a required part of their business leadership's KPIs, OGSMs or OKRs. This sends the clear message that the programs are not optional.

> **Characteristics are:** *self-reliant diversity balance, flexibility in processes (like work from home and holiday planning), focus on decentralized innovation ("change can come from anywhere"), focus on results rather than process, and accountability and metrics for every level of leadership.*

WHERE ARE YOU STUCK?
Challenges in Achieving DEI Objectives.

Despite an observed increased awareness of, and commitment to, DEI, organizations continue to face significant challenges in turning their DEI goals into reality. A survey conducted by PwC in 2022 revealed a stark reality: 40% of employees still feel underrepresented or unfairly treated in their workplace. This statistic highlights a critical gap between the intentions behind DEI initiatives and their effective implementation. It underscores the need for more meaningful, impactful, and tangible DEI actions within organizations.

Based on discussions with many companies, we have identified seven specific challenges for organizations that are striving to increase adoption of DEI programs. These seven challenges often come from programs getting "stuck" in one driver area, or the handover from one area to another not being handled in a clear and effective way.

CHALLENGES.
7 challenges to overcome for true DEI impact.

1. Diversity Washing
2. No Perceived Problem
3. Lack of High Performance Teams
4. Organizational Stagnation
5. Gap between Importance and Urgency
6. Resistance to Embracing the Opportunity
7. Employee Engagement

1. Diversity Washing
Policies that come from a compliance motivation, and that are handled in a top-down implementation manner, can encounter resistance in implementation. If you dictate a policy without explaining how this will contribute to the company's goals, employees will not understand the relevance. Without proper support on how to actually change the current situation, employees will not prioritize it over their already high workload. Also, if you don't include relevant metrics and KPIs related to DEI policies, these policies will lack urgency as compared to growth and profit objectives (see challenge #5 for more on that).

Therefore, policies implemented in this manner often get ignored, which means the C suite has implemented a policy that no one follows, just to say they've implemented DEI. We've named this "diversity washing", meaning organizations pretend they're doing something about diversity and inclusion, when in reality they're not.

Without a strong commitment and accountability at the leadership level, the progress of DEI efforts can be severely hampered. Effective leadership in DEI is not just about endorsing initiatives; it's about embedding them into the organizational fabric. Leaders must ensure that DEI is not a token gesture but an integral part of the business strategy and culture.

2. No Perceived Problem
Due to often impossibly high growth targets, business leaders tend to prioritize homogenous teams that can move fast on existing business. When growth targets are achieved, business leaders do not perceive a problem with the existing mix of employees. They will often demonstrate biases against inclusive hiring. These biases can manifest subtly, affecting recruitment, promotions, and everyday workplace interactions.

This challenge is made worse by the lack of diversity amongst senior management itself. The underrepresentation of diverse groups in leadership roles continues to be a significant hurdle. This lack of diversity at decision-making levels can perpetuate existing gaps and slow down the implementation of effective DEI measures.

3. Lack of High-Performance Teams
If a working environment feels very inclusive and comfortable, there is the risk that employees are not challenged to their full potential. In order to grow as individuals, and on the team level, challenging discussions need to take place. Only if people feel challenged to perform at their best and feel safe enough, will they bring issues to the table and have in-depth discussions on how to make things better.

By nature, diversity will accelerate discussions. To foster an environment of innovation and continuous improvement, it is most effective when the environment feels slightly uncomfortable. Looking at the marketplace from different perspectives and backgrounds can create positive friction which will foster innovation.

4. Organizational Stagnation
Keeping a diverse workforce engaged and motivated is a common challenge. Millennials and Gen Z, who form a significant portion of the workforce, often judge employers by their commitment to inclusivity and ethical practices. Failing to create an environment that resonates with these values can lead to challenges in attracting and retaining young talent.

Many companies, facing recruitment and retention challenges, are implementing personalized career growth plans focused on individual employee growth. However, they're failing to train diverse teams to connect with each other to communicate and achieve business goals. This can create a situation where teams of high-achieving individuals do not achieve as a team. And instead of blaming lack of training, business leaders should focus on learning from each other and become a high performing organization.

5. Gap between Importance and Urgency

Many organizations' senior leadership acknowledge the importance of DEI. But when it is unclear what the value of DEI is to a particular organization, there is a lack of urgency behind the implementation. The issues behind DEI are complex and changing rapidly, and it's very hard to quantify what value any DEI effort may have for an organization directly.

Measuring the impact of DEI initiatives is complex but essential. Organizations often struggle with setting clear, quantifiable goals and metrics such as payment, employee satisfaction, staff retention etc. to assess the effectiveness of their DEI strategies. This measurement is crucial for understanding progress and identifying areas needing improvement.

6. Resistance to Embracing the Opportunity

While it would be nice to believe that everyone would want to embrace DEI because it will benefit the individual and the company, we know that that's not the case. Quite simply, to achieve the tipping point, every part of the organization needs to understand the opportunity, from the CEO to the support staff. If they don't, they won't do the hard work and invest in training, action plans, and real discussion.

Employees need assistance to understand why it is relevant to them as individuals within a corporate environment to have a diverse and inclusive environment. They need to understand the behaviours they're expected to demonstrate and actions they're expected to take to make this happen. And, most importantly, they themselves, as well as their managers, need to be measured on the success of achieving those actions and programs.

7. Employee Engagement

In a world that's becoming increasingly polarized, people may be reluctant to bring their real selves to work. The speed of change and transformation seems to be difficult to communicate to employees, who in contrast long for more psychological safety, deeper connections, authentic interactions and recognition.

All of this can lead to compartmentalizing—separating ourselves as a form of self-protection. With that comes the tendency to walk only in our own shoes, instead of seeing things from the other person's perspective.

The sense of community is what pulls people in. When we feel connected, we fit in. And when we fit in, we belong. And when we belong, we can truly see and notice others.

Especially in an increasingly virtual working environment, leaders have an important role to play in connecting in meaningful, authentic ways. This starts with selflessness—it's not about you. Bring in empathy—meeting others where they are. And, most important, it's showing our true selves—who we are, not just what we do.

WHY ARE YOU STUCK?
The Underlying Reasons DEI Initiatives Get Stuck or Fail.

The core reason why DEI initiatives get stuck, or fail, is quite simply fear. Fear of doing it wrong, of making it worse, as well as fear of their own loss of status (this is called "status threat"). DEI is a huge topic that feels impossible to tackle. The rules and the areas that it encompasses seem to change daily. Any program that is tried is seen by groups (both within and outside the organisation) as the wrong focus, "not enough", "too much" or "not fair", sometimes all at once. Employees who speak up for programs are frequently targeted as being troublemakers. HR employees are blamed when programs fail, but also when programs don't go far enough or fast enough. Even the language we use to talk about groups can change rapidly, leaving people feeling confused and timid about speaking up.

A recent Gartner report on this topic reported "Organizations' commitments to DEI have grown, but so has the pushback to DEI efforts. Forty-four percent of employees agree a growing number of their colleagues feel alienated by their organization's DEI efforts, 42% of employees report their peers view their organizations' DEI efforts as divisive, and another 42% say their peers resent DEI efforts." [source] Any of these things happening will cause people to be afraid to start or expand DEI efforts.

There is also a perception that it will slow down the business before it ever does anything to help the organisation. This can of course be true. It takes time away from core business activities to send people to trainings on unconscious biases, or how to write bias-free job descriptions, etc. This means that often DEI initiatives are assigned to leaders on top of their already high workload. Thus, DEI can be viewed as a punishment that distracts from core business and with dubious outcomes, instead of it being connected to a leadership vision.

To expand on the point above, when organisations begin DEI activities, it's often viewed as "not enough", "the wrong focus" or "not fair". For example, organisations often begin with attempts to increase the number of women in leadership roles, or to close the pay gap between men and women within the organisations. "But what about minorities in leadership positions?" other interest groups will cry. "What about nonbinary people? Where are the programs for disabled or chronically ill people?" It can feel like starting anything is opening Pandora's box and making everything worse. And what about the arguments that men bring to the table who see their career opportunities changed or limited as a result of DEI policies?

All of the above leads to the biggest enemy of DEI initiatives in organisations: inertia. After the first steps of implementing "low hanging fruit" type of programs, it stops when game changing decisions must be taken and implemented. Difficult discussions are being avoided and change is stuck at the level of one-off unconscious bias trainings and the appointment of one DEI officer responsible for the whole cultural change of the organisation.

You have to have a lot of drive and persistence to make any kind of change in a big organization, and DEI is a complex topic, making it even harder to support and implement change. This means change comes very slowly, if at all, and is often accompanied by a lot of pain and resistance.

ACHIEVING THE TIPPING POINT.

So, how do you get over the fear and inertia in your organisation to achieve the tipping point with DEI activities? How do you make it "go viral" internally instead of it being viewed as a punishment?

To be ready to manage these DEI challenges, you need to know where to invest to get the maximum result. The first step would be to understand how successful you have been so far with all the actions already taken. In other words, where would you position yourself in the EarlyBridge model.

Secondly you need to accurately understand the driver(s) that are creating the need for DEI within your organization today. You can use the drivers matrix on page 4 to model your organization, where you have been and where you are now.

Assess what challenges you are facing that keep you stuck where you are. The list of challenges we have set out in this white paper can help as a starting point. It's also useful to assess who is responsible within your organization for the implementation of DEI initiatives. Do they have a clear buy-in and mandate from senior leadership? Is it clear to business leaders why DEI is important? Is there a clear plan of action for every manager in the organization? Data from sources such as employee exit interviews or attrition numbers can help support the need for change as well.

Furthermore, steps may have been skipped in starting DEI activities, because people who are passionate about creating diverse organizations forget that the people around them may not understand the "why" and the "how". Sometimes it's useful to go back and ensure that all stakeholders understand the purpose and the plan before trying to go further.

Unless DEI programs are seen as business critical, contributing to the organization's differentiating competitive advantage in their market, the policies themselves will not create real cultural change. In order to achieve criticality of DEI initiatives, three things must be in place:

> - **A vision of the organisation as it will be in the future**
> - **Accountability (of everyone in an organization, but especially leadership)**
> - **The right metrics for the organisation**

To overcome the perception that whatever programs you start with are "not enough" or are the wrong focus, you need to develop and communicate a vision of the steps you will take to get to an inclusive organisation. When you are transparent about where you are going, and what it will take to get there, employees will better understand their position in the process.

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Accountability means everyone, especially those in leadership positions, is measured on the success of DEI initiatives alongside business performance KPIs. This includes participating as employees in trainings, as well as articulating concrete activities with their teams they personally are implementing to make the DEI programs successful. Providing transparency of everyone's contribution to the larger vision will ensure that every leader understands that their participation is not optional and will be very visible.

Metrics enable your organization to track progress on initiatives, identify areas of improvement, and create a definition of success. Metrics should not be goals themselves, but are the ways in which your goals become visible and measurable. They are crucial for helping DEI and HR leaders secure buy-in from leadership.

Unless these three key elements are in place, DEI policies will stay words on paper, and any DEI activities and events will be likely to achieve only short-term success.

The most important lesson is the simple notion that DEI needs to be approached as a business case. In a business case, it's necessary to spell out what the goal is, what the returns are, and what the path to achieving them is. Objectives are converted into specific targets, measured and evaluated and organizations can track progress and adjust as needed. Using a well-established business case model moves DEI from an emotional, unclear, and debatable topic to a fact-based and growth-supporting innovation for any company.

> **❝ DEI is like any other business innovation. It needs a vision and a business case. And it should be treated as any other change you would make to your business.**

CONCLUSION.

In conclusion, as businesses continue to operate in an increasingly interconnected and globalized world, the importance of DEI as a core component of business strategy will continue to grow. DEI is a strategic imperative that underpins sustainable leadership.

Many organizations have held off on strategic DEI efforts, because the whole topic of diversity and inclusion can be daunting and confronting. However, doing nothing, or doing little, has caused many companies to have long-term problems with low employee satisfaction, high employee turnover, and poorer business results.

The organizations that will lead and succeed in this new era are those that recognize the value of diversity and inclusion and are committed to making them a reality in their workplaces through inclusive leadership. Implementing a transparent and strategic vision, accountability and organizational-level metrics for real cultural change has been conclusively demonstrated to deliver both business differentiation and market success.

ABOUT EARLYBRIDGE.

EarlyBridge sets organizations in motion. We build bridges between people, between leaders and their teams. Because results start with people. EarlyBridge develops and implements leadership and team development programs. We help organizations, teams and individuals break out of ineffective patterns and break through to new levels of performance. Through a combination of advice, training, and coaching, we translate strategy into action through a combination of theory and practice to contribute to sustainable behavior change.

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