



# Inclusion and diversity strategy

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# Identity and purpose

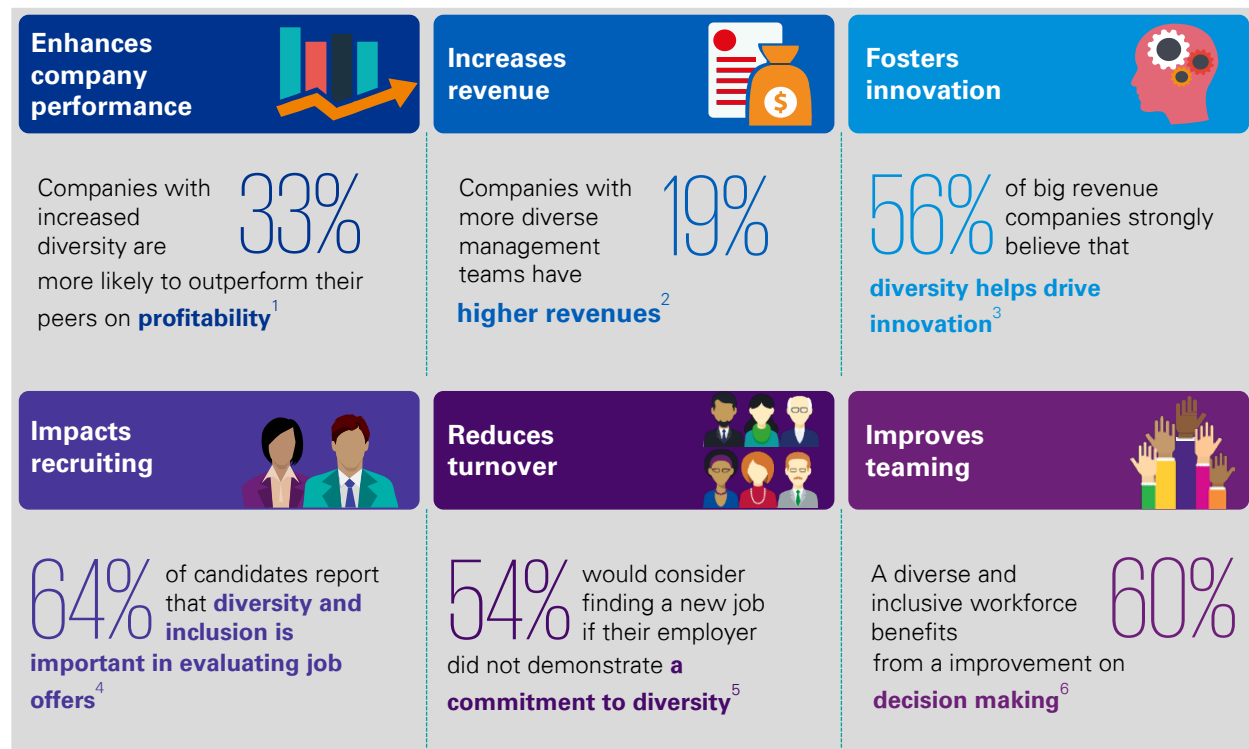
## From necessity to competitive advantage

We are seeing a rise in efforts lately by KPMG LLP (KPMG) clients and by organizations generally to develop inclusion and diversity (I&D) strategies as a competitive differentiator. For the first time in history, we have five generations of employees working side by side and a growing, ethnically diverse U.S. population. Successful organizations regard I&D as a source of competitive advantage and enabler of growth. An inclusive and diverse employee base has been shown to be more competitive in a global economy. Companies are increasingly identifying new I&D opportunities tied to “doing the right thing,” as well as advancing business imperatives.

**Inclusion** pertains to engaging the people brought together to advance a company’s business priorities, supporting talent development, and appreciating their skills and points of view. **Diversity** is about promoting policies and an organizational culture that support people’s different backgrounds, experiences, and qualities.


Broad industry research suggests that:

1. There is a **strong relationship** between diversity and business performance goals.
2. Companies with high **gender diversity** of executive teams are more likely to **outperform on profitability**.
3. Companies with high **ethnic and cultural diversity** of executive teams are more likely to outperform on profitability.
4. There is a **positive correlation** between strong business diversity metrics and overall financial performance.

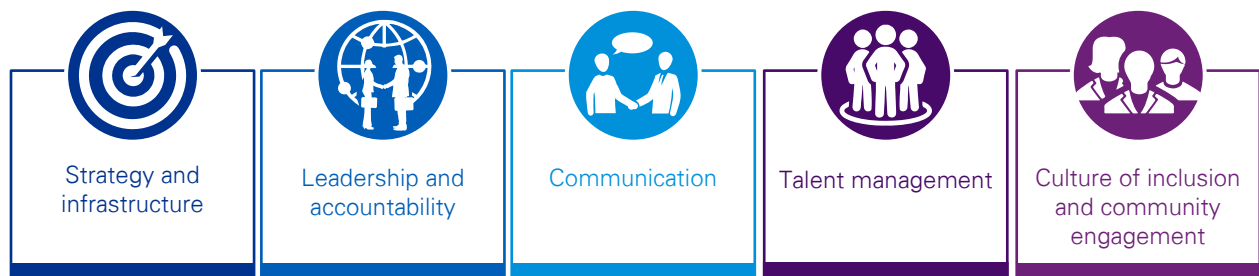


# I&D strategies

A robust I&D strategy typically considers various organizational, strategic, cultural, and logistical factors. To simplify these considerations, we propose the following guiding principles when defining an overarching I&D strategy:

	<p><b>Strategic alignment:</b> I&amp;D must be integrated into the organization’s core business strategy.</p>
<p><b>Targeted solutions:</b> I&amp;D initiatives are <b>targeted on identified gaps</b> between current and a defined future state of I&amp;D in order to address the organization’s <b>specific opportunities for improvement</b>.</p>	
	<p><b>Accountability:</b> Systemic processes and measurements are critical to maintaining a strong governance infrastructure and helping to ensure that individuals are aware of their roles and responsibilities to help sustain organization-wide momentum for I&amp;D.</p>
<p><b>Clear expectations:</b> Organizations must share <b>clear expectations</b> of the desired future state of I&amp;D. Leaders should be aligned on the goal of cultivating different backgrounds and experiences through <b>enhanced awareness and collective actions</b>.</p>	
	<p><b>Progressive thinking:</b> An <b>innovative approach</b> to I&amp;D is necessary to overcome the economic and social challenges that intensify the war of talent. Organizations should <b>anticipate the needs of talent communities</b>, and implement policies and procedures that will ultimately result in an inclusive and innovative culture.</p>

Further, we suggest organizing an I&D strategy through the lens of five key strategic dimensions:



## Strategy and infrastructure

At the highest level, I&D must be included in a firm’s strategy, vision, and goals. According to the KPMG American worker survey, about three in five (58 percent) workers say their organization should be doing more to positively address workplace inequality, and 51 percent think the leaders at their organization are actually part of the problem.<sup>7</sup> The proper infrastructure, including visible top management support, must be in place, as a first step. Inclusive talent programs, processes, talent management, and leadership (among many other facets) must be aligned to implement a successful I&D strategy. Without these elements, there is a great risk of I&D being seen as just a “line item.”

## Leadership and accountability

Leaders need to be at the forefront of any I&D strategy. Without this buy-in, messages, initiatives, and goals will fall flat with employees. Leaders need to be vocal, authentic, and honest in speaking about I&D. Firms need to ensure

that leaders are taking on the challenges inherent in developing I&D initiatives, facing them head-on and having their dedication felt by employees at all levels.

## Communication

It is not enough to communicate I&D goals. Firms must also demonstrate they are committed to developing and sustaining an inclusive culture. In our survey, workers report they are satisfied with their company's response to recent social and political events, yet perceptions exist that many organizations have few measures in place to achieve equality.

Messages must be aligned to the overall company values and communicated consistently. Think about how you can "walk the walk." Newsletters, diversity events, and town halls are examples of effective ways to communicate messages and showcase efforts. By taking on these actions, you will foster engagement, enthusiasm, and trust in your initiatives.

## Talent management

The impact of I&D extends beyond just current employees. It affects the entire talent management lifecycle from recruiting and hiring through the entire career progression. The resulting influence on organizational culture promotes a positive public image and affects the company's ability to keep and attract talent. Take stock of your current talent strategy. Is it focused on attracting candidates from different backgrounds? If not, include leaders and I&D champions to establish short and long term inclusive talent goals.

## Culture of inclusion and community engagement

Employee inclusion and engagement are key to creating a sustainable I&D culture. As mentioned, all employees need to feel seen, heard, and included in the workplace. When they do, the end-result is an engaged workforce that feels aligned with the firms' vision and goals. They will also feel more comfortable having open discussions about I&D, making the strategy even stronger. Organizations can foster an inclusive environment by working with employee affinity groups, which help employees feel the firm's commitment and a personal connection to the overall I&D goal. According to our recent American Worker survey, only 34 percent reported their organizations encouraged conversations surrounding inequality.



**KPMG is the firm of choice to help clients address their inclusion and diversity challenges. KPMG not only holds industry depth, but knowledge and insight to help clients reach their maximum potential in I&D.**



# Organization integration

## Where should organizations start?

While most companies today recognize the critical importance of I&D to their competitiveness in the market, there are multiple stages of evolution in thinking about an I&D strategy. As a starting point, for goal-setting and policy development, it will be valuable for the organization to honestly assess itself along a progression from a baseline of simple equal employment opportunity compliance to a fully integrated I&D business model.

We recommend an approach, based on the five dimensions outlined above, that is tailored to reflect your unique business ethos and priorities. When designing an I&D strategy, consider the following key success factors:

- 1** **I&D is a journey** not a destination or goal. Organizations need to establish where they want to be along the I&D continuum, drive towards that end, and continually work to sustain momentum.
- 2** **Assess the current environment** and listen to what people are saying about what the challenges and possible solutions are, including those who are opposed to the idea, to identify any challenges to be addressed.
- 3** Identify a sponsor at the senior level who understands why I&D matters. Define roles and responsibilities for the I&D program and help ensure the **leadership team is aligned on the challenges.**
- 4** Review core HR policies and processes (such as recruitment, performance management, promotion, and compensation) to help ensure there is no **implicit bias on paper or in practice** and take any necessary action as a result.
- 5** Continue communicating the business case for action explaining I&D is a business opportunity that supports customers, innovation, and talent management among others.

To achieve success, all identified stakeholders must “buy-in,” meaning they support the initiative’s objectives and are engaged throughout the program. Key stakeholders will include organization leadership, human resources and talent management professionals, employee representatives, such as employee affinity groups, and more. Leadership must take a visible role in embracing the initiative and its objectives. When leaders show that they prioritize I&D efforts and that they are valued within the organization, it sets the tone for downstream projects and initiatives to succeed. As your organization develops its I&D strategy, KPMG can provide support, from helping to assess issues and gaps, to outlining a vision, strategy, and roadmap, to implementing policies and change management strategies.

With these factors in mind, it is important to note that I&D should not become a siloed entity in the organization. Instead, I&D practices should be integrated into the organization’s core business strategy and ongoing functioning of the business. After successfully defining and gaining buy-in to an enterprise I&D strategy, the organization can follow a framework similar to the one below for tactical planning and prioritizing initiatives. This serves as a sample of how we’ve worked with organizations to establish and sustain successful I&D programs.

Immediate activities that companies can consider undertaking to make progress towards a robust I&D program:

	30 days	60 –90 days	180 days	360+ days
<b>Compliance</b>	<ul style="list-style-type: none"> <li>– Develop and update policies</li> <li>– Identify compliance benchmarks and key performance indicators (KPIs)</li> </ul>	<ul style="list-style-type: none"> <li>– Deploy policies</li> <li>– Train all personnel</li> <li>– Measure performance against KPIs</li> </ul>	<ul style="list-style-type: none"> <li>– Commence reporting</li> <li>– Measuring performance against KPIs</li> </ul>	<ul style="list-style-type: none"> <li>– Update policies annually</li> <li>– Train all personnel</li> <li>– Report performance on annual basis</li> </ul>
<b>Build a foundation</b>	<ul style="list-style-type: none"> <li>– Workforce analytics (if data is available)</li> <li>– Customer analytics</li> <li>– Identify business benchmarks and KPIs</li> </ul>	<ul style="list-style-type: none"> <li>– Audit and review work practices for blockages</li> <li>– Determine budgets</li> <li>– Define core metrics</li> <li>– Begin measuring program ROI against KPIs</li> </ul>	<ul style="list-style-type: none"> <li>– Incremental process adjustments</li> <li>– Develop system integration</li> <li>– Continue measuring ROI</li> </ul>	<ul style="list-style-type: none"> <li>– Develop and deploy unconscious bias training</li> <li>– Report ROI performance to senior leadership annually</li> </ul>
<b>Brand and credibility</b>	<ul style="list-style-type: none"> <li>– Seek strategic brand alliances</li> <li>– Define community support initiatives</li> </ul>	<ul style="list-style-type: none"> <li>– Participate in benchmarking alliance with brand alliances</li> <li>– Begin partnership engagement activities</li> </ul>	<ul style="list-style-type: none"> <li>– Launch community initiatives</li> <li>– Incorporate into brand strategy</li> </ul>	<ul style="list-style-type: none"> <li>– Incorporate brand alliances into company branding</li> <li>– Leverage in marketing efforts</li> </ul>
<b>Connection and culture</b>	<ul style="list-style-type: none"> <li>– Seek strategic brand alliances</li> <li>– Define community support initiatives</li> </ul>	<ul style="list-style-type: none"> <li>– Respond to staff issues</li> <li>– Establish working groups</li> </ul>	<ul style="list-style-type: none"> <li>– Launch employee resource groups (ERGs)</li> <li>– Incorporate into employee engagement</li> </ul>	<ul style="list-style-type: none"> <li>– Tell the stories</li> <li>– Celebrate the success</li> <li>– Leverage in marketing efforts</li> </ul>
<b>Strategic value</b>	<ul style="list-style-type: none"> <li>– Undertake external and internal analysis of business opportunity</li> </ul>	<ul style="list-style-type: none"> <li>– Define strategy and management statement of why inclusion and diversity are critical</li> </ul>	<ul style="list-style-type: none"> <li>– Leadership training</li> <li>– Adjust leadership metrics</li> </ul>	<ul style="list-style-type: none"> <li>– Reap the rewards</li> <li>– Re-energize</li> <li>– Renew</li> </ul>
<b>Communicate and engage</b>	<ul style="list-style-type: none"> <li>– Develop overall communication strategy incorporating internal/external stakeholders</li> <li>– Socialize and gain executive buy-in</li> </ul>	<ul style="list-style-type: none"> <li>– Begin internal communications and employee engagement / advocacy initiatives</li> <li>– Amplify achievements through social and digital</li> </ul>	<ul style="list-style-type: none"> <li>– Begin external outreach to media, investors, industry conferences, etc.</li> <li>– Leverage thought leadership platforms</li> </ul>	<ul style="list-style-type: none"> <li>– Continue ongoing internal and external initiatives, measure performance and reassess forward-looking path</li> </ul>

Societal expectations and the resulting impact on businesses are evolving rapidly. In the current environment, organizations can no longer afford to treat inclusion and diversity as a public relations or Human Resources issue. Instead, they must understand the real business value of I&D, take a thoughtful and sincere approach, and adopt a meaningful I&D strategy.

Inclusive business practices help companies remain relevant to customers and communities. Organizations that understand the power of people’s differences position themselves—through greater access to talent, a healthier work environment, stronger brand recognition, and deeper community relations—to strengthen competitiveness and realize new business value.

An effective I&D strategy requires a coordinated approach, including visible commitment and engagement of top management (including promotion of qualified, diverse people to leadership roles); active dialogue to seek feedback from diverse employees; a coordinated, enterprise-wide implementation approach; and a supportive organizational culture bolstered by a complete change management program.



Sources: 1) "Delivering through diversity", McKinsey, 01 January 2018; 2) "How Diverse Leadership Teams Boost Innovation", Boston Consulting Group, 23 January 2018; 3) "Fostering Innovation Through a Diverse Workforce," Forbes Insight, Pg5; 4) "Candidates want to see a commitment to diversity", HR Dive, 01 October 2018; 5) Yello White Paper: What Job Seekers Really Think About Your Diversity Practices; 6) "Diversity Drives Better Decisions", PM Editorial, 23 October 2017 7) KPMG American worker pulse survey, KPMG LLP, August 2020.

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