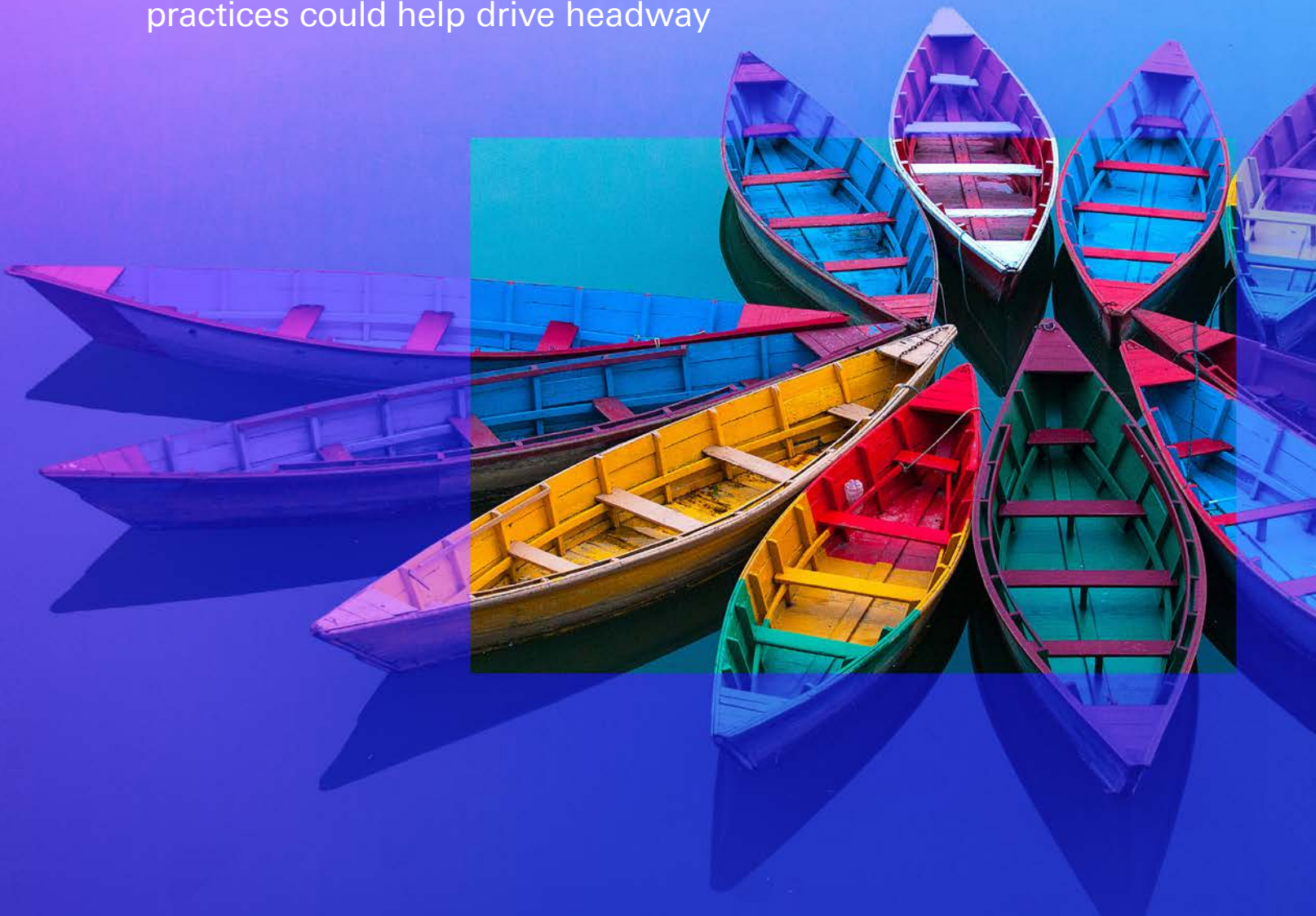




The Diversity Journey

The first KPMG DEI Progress Survey shows that progress may be tougher than the promise, but adopting leading practices could help drive headway



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Introduction

Many organizations' diversity, equity, and inclusion (DEI) initiatives gained new momentum in response to the racial violence exemplified by the murder of George Floyd in 2020. However, while most organizations can speak eloquently about their new or enhanced strategies, many are finding that overcoming obstacles and implementing best practices can be challenging.

To uncover how much progress has been made since 2020, capture progressive approaches, and shed light on the most vexing challenges, KPMG LLP (KPMG) launched its first Diversity, Equity, and Inclusion Progress Survey during the second quarter of 2022. The survey of 300 C-suite executives across industries was enriched by interviews with several leading Chief Diversity Officers (CDOs).

According to our survey, 71 percent of respondents report having taken many DEI-related actions since 2020. However, only 12 percent have reported making significant changes in their companies' DEI profiles. Even those that have made demonstrable progress realize that current efforts are only the beginning.

According to State Street's CDO Paul Francisco: "DEI is a tremendous, ongoing undertaking. I hear people say that DEI leaders' mandate is to put themselves out of a job. Companies don't say the same about CEOs, CTOs, and other leaders. As human behavior is, by definition, a work in progress, so too are DEI programs."

"Our goal is for every employee at our firm—regardless of race, ethnicity, gender, age, sexual orientation, gender identification, national origin, citizenship status, military status, or ability—to feel welcomed, included, fulfilled, and optimistic about their career prospects at KPMG," says Elena Richards, Chief Diversity, Equity and Inclusion Officer at KPMG U.S. "This survey and thought leadership initiative are critical parts of our effort to help educate our firm and other organizations on the best ways to achieve such goals."

71%

of respondents report having taken many DEI-related actions since 2020

12%

have made significant changes in their companies' DEI profiles

Executive Summary

The KPMG DEI Progress Survey uncovered findings that were both encouraging and sobering. In this paper, we delve deeper into the statistics below to help companies achieve more consistent progress.

75%+

view DEI as a business imperative.

Nearly half prioritize DEI by including it on the board agenda.

Financial services made the largest jump in ethnically diverse representation.

Causes for optimism...

Ninety-five percent of survey respondents report increased accountability for meeting DEI goals within a specified timeline.

More than three quarters of the companies we surveyed view DEI as a business imperative, and more than half (59%) consider DEI critical to company growth and profit potential.

Nearly half (48%) of companies prioritize DEI by including it on the board agenda, while 38 percent said that CEOs' compensation is tied to DEI.

Since 2019, the financial services sector made the biggest jump in ethnically diverse representation of all industries surveyed: from 19 to 29 percent in the workforce and from 14 to 21 percent in leadership.

Respondents are most proud of their progress when it comes to closing the gap on compensation equity and increasing the proportion of underrepresented talent (URT)—including people of color (POC), women, members of the LGBTQ+ community, veterans, people with disabilities, and more.

The most often cited reason for slow progress (47%) is a lack of knowledge on how to proceed, which opens the possibility of more progress as proven practices come to light.

Causes for concern...

The number of people of color (POC) in leadership positions has increased by an average of four percentage points (from 15% to 19%) since 2020. Although this progress is encouraging, the absolute numbers remain relatively low.

The number of POC in the workforce has increased by an average of seven percentage points (from 21% to 28%) since 2020, although there is variability by industry.

(For more, see the section entitled “Advancing people of color: Has the flame gone out on this burning issue?”)

In terms of gender equity, the business world at large saw significant progress long before 2020. However, over the past two and a half years, there has been only a four-percentage-point increase in women among the leadership ranks and a seven-percentage-point increase across the workforce. This relatively slow rate of progress is at odds with the fact that women make up 51 percent of the U.S. adult population.

(For more, see the section entitled “The Great Resignation”: A mass exodus of mothers?”)

The average percentage increase in the workforce of other URT—encompassing members of the LGBTQ+ community, people with disabilities, veterans, older employees, and others—has been more modest over the past two years. This finding may reflect some reticence on the part of employees to self-identify.

(For more, see the section entitled “Other underrepresented talent: Efforts to keep pace”)

Despite progress, the number of people of color in leadership positions remains relatively low.

Representation by women in the workforce is out of sync with the fact that women comprise 51 percent of the U.S. adult population.

The increase in other URT—from LGBTQ+ to veterans—has been modest since 2020.

Survey Methodology

From March to May 2022, KPMG and Forbes Insights fielded a 30-question survey on DEI progress to 300 senior executives in the U.S.—with almost three-quarters (72%) from the C-suite, including 47 CEOs, 49 COOs, 45 CDOs, 49 CHROs, and 27 CCOs (Chief Culture Officers), and the remaining 27 percent comprising EVPs, SVPs, and Directors. More than half (56%) of respondents represent public companies and two-thirds (68%) are from organizations with \$1 billion or more in annual revenue.

Reassessing representation

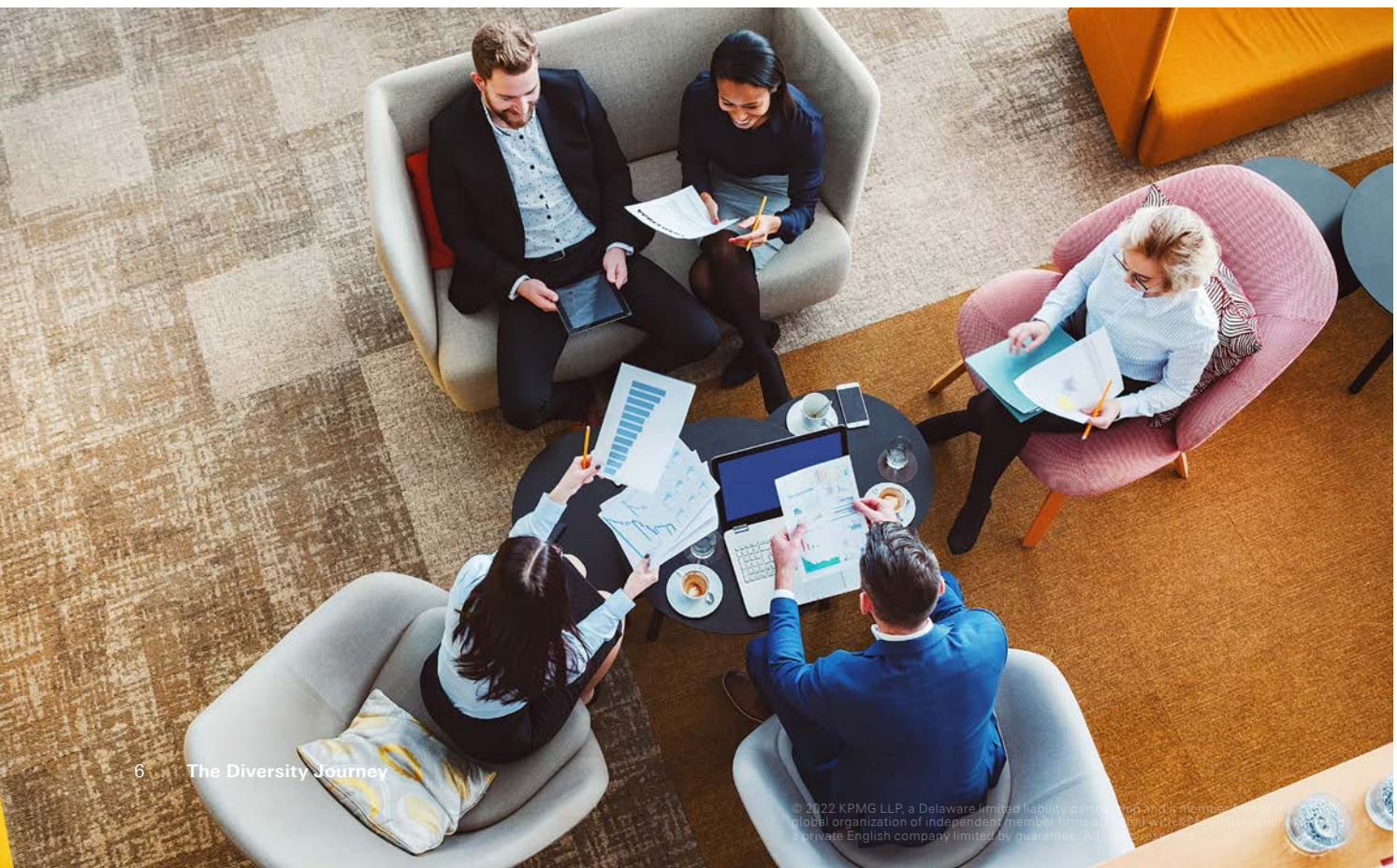
Across both executive leadership and the broader workforce, the relative number of employees from historically marginalized groups has been on the rise over the past two and a half years. And, over the next three years, organizations intend to increase those percentages by a similar magnitude. However, many organizations seem to be more transparent about the goals themselves than about progress against those goals.

Taking steps to be more transparent about DEI progress is an opportunity that organizations may want to take into consideration not only in their marketing and branding efforts, but also in their communications with investors. There is an increasing call by investors and investment firms for companies to be transparent around ESG efforts, of which DEI is a critical component, as reflected by 63 percent of the respondents to a recent survey from Penn State's Smeal College of Business and corporate partners.ⁱ

Advancing people of color: Has the flame gone out on this burning issue?

If you consider that, as of 2022, there are only six Black CEOs at Fortune 500 companies,ⁱⁱ it is not so surprising that nearly 97 percent of Fortune 500 firms do not make their diversity data available to the public.ⁱⁱⁱ Other findings show that, although many companies' hearts may be in the right place, progress has been frustratingly slow. Research from 2021 shows that, in addition to the fact that almost two-thirds of CEOs are men, 81.1 percent are White, seven percent are Latinx, 6.8 percent are Asian-American, and only one percent are Black, data that was verified by the Bureau of Labor Statistics and the Census.^{iv}


Given organizations' historical reluctance to share data related to racial representation, it is heartening that many of the respondents to our DEI Progress Survey were willing to disclose where they are on their DEI journeys.




In a cross-industry view, racial representation at respondent companies over the past two years seems to be on a straightforward uphill climb:

- On the leadership level, the number of POC in executive positions has increased by an average of four percentage points (from 15% to 19%) since 2020.
- Across the workforce, the number of POC has increased by an average of seven percentage points (from 21% to 28%) since 2020.

On the other hand, parsing the data by industry presents a more nuanced view. For example:

 **In healthcare:** Our survey shows that, from 2020 to the present, the healthcare industry only increased the percentage of POC in the workforce from 20 to 22 percent and in leadership from 14 to 16 percent. The sluggish DEI progress in this sector is likely due to organizations' laser focus on shifting operations to deal with the pandemic, as well as to both voluntary and involuntary attrition. It is of note that women with young children and those from "historically marginalized racial and ethnic groups" were more likely to leave the healthcare workforce over the past two years than their White counterparts, according to a study from the National Institutes of Health.^v Encouragingly, survey responses indicate that the healthcare sector's goals for the next three years are much more ambitious—31 percent growth in the percentage of POC in the workforce and 24 percent in leadership.

 **In financial services:** In general, financial services firms see diversity of their workforce as key to their future growth. Our survey shows that, between 2020 and the present, this sector took the biggest jump forward in racial representation of all industries surveyed: from 19 to 29 percent in the workforce and from 14 to 21 percent in leadership. And plans for increasing

Growth in representation of POC since 2020:

7 percentage point increase in the workforce

4 percentage point increase in leadership


the number of POC in the workforce over the next three years are at the leading edge as well: While companies in most industries say they are planning a relatively modest increase of between five and six percent, surveyed companies in the financial services sector expressed the intent to increase POC representation by eight percentage points (to 37%) between now and 2025.

Financial services at the leading edge:

Since 2020, racial representation increased

10 percentage points in the workforce

7 percentage points in leadership

 **In technology:** Although POC representation across the technology industry workforce has increased from 24 percent to 33 percent over the past two and a half years, some industry leaders have loftier goals, envisioning a future where their workforce is just as diverse as their user base. Google, for example, has made increasing representation of Black and Latinx employees central to the company's value proposition—with Black representation at Google growing two times faster than the general population in the last year alone.^{vi} Equally important is diverse representation at the top—today only 19 percent of technology companies responding to our survey have POC in leadership positions, but aspirations are to reach 25 percent in the next three years.

The latter point is emphasized by Tori Farmer, managing director of DEI at KPMG U.S., who says "Seeing representation at the top of the house is so critical—for people of color, for women, for people with disabilities, and for all underrepresented talent—as it sends signals about what is attainable. Seeing people who look like you in influential leadership positions can be incredibly motivating." →

Turning the spotlight inward

To illustrate the importance of being open about both successes and challenges, we turned the spotlight on ourselves. KPMG is currently pursuing aggressive DEI goals through our Accelerate 2025 initiative, a five-year plan to ensure more URT chooses KPMG as their employer of choice, builds their careers at KPMG, and advances to leadership positions. The results published in the KPMG U.S. Impact Plan 2022 include the following^{vii}:

Representation

- An 81 percent year-over-year increase in interviews of Black and Latinx candidates has paid dividends among Black hires, with an increase in representation of six percent over the last year alone. At the same time, Latinx hires are down slightly from last year.
- Women comprise 23 percent of partners and 29 percent of managing directors, which marks significant progress toward our goal of 33 percent by 2025.
- Our board of directors comprises 33 percent women, 17 percent POC, and 50 percent members of other URT; our management committee is composed of 45 percent women, 27 percent POC, and 55 percent members of other URT.

Measurement

- KPMG conducts annual benchmarking with external organizations based on criteria related to being a best company for DEI, including:
 - DiversityInc, which has included the firm on the list of “Top 50 Companies for Diversity”
 - Seramount, which named KPMG as one of the “100 Best Companies”
 - Military Friendly Employers, which included the firm among the “Best Companies for Vets”
 - The Asia Society, which named KPMG a “Best Employer for Sponsorship and Development”
 - The National Organization’s Disability Equality Index, the Human Rights Campaign’s Corporate Equality Index (LGBTQ+), and the Hispanic Association on Corporate Responsibility’s Corporate Inclusion Index all conduct additional benchmarking.

Policies and resources

- Talent reviews are attended and evaluated by our CDO, as well as functional DEI leaders, as appropriate.
- Our Self-ID campaign encourages all employees to include their preferred gender pronouns in their email signatures and to disclose ways in which various aspects of their identities intersect.
- Since 2020, there has been an 18 percent increase in membership in our business resource groups (BRGs)—which comprise Abilities in Motion, the KPMG Network of Women (KNOW), Pride@KPMG, Veterans BRG, and BRGs focused on employees who identify as having African, Asian Pacific, or Hispanic ancestry. More than half of BRG members in 2022 were allies.

Social impact

- Our spend with small and diverse businesses reached 18.8 percent in fiscal year 2021, and we are committed to increasing the percentage growth of this spend each year.
- KPMG and the KPMG U.S. Foundation gave more than \$52 million in community support in fiscal year 2020 and have committed to giving \$125 million over five years to support organizations, programs, and initiatives that advance equity and access among underrepresented groups.

The “Great Resignation”: A Mass exodus of mothers?

In higher income jobs, underrepresented talent is leaving companies at a lower rate than the overall average.^{viii} However, there is one demographic that has indisputably left the working world in record numbers: women.

Women left the workforce at twice the rate of men and their participation in the working world reached its lowest point in the past 30 years.

According to recent research focused on the period from March 2020 to the fall of 2022, women left the workforce at twice the rate of men and their participation in the

working world had reached its lowest point in the past 30 years. And nearly one-third of all mothers have left their jobs or switched to part-time work since March 2020.^{ix}

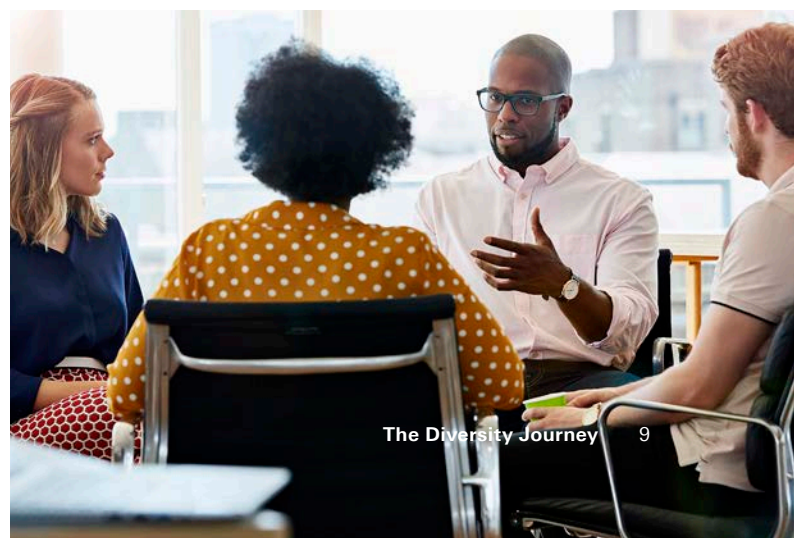
This fallout from the pandemic has been a blow to years of progress toward gender parity, as many women were compelled to leave the workforce to care for children who were shifted into virtual schooling or who couldn't attend daycare due to shutdowns. Consider that, prior to the pandemic, 16 percent of women said that they handled three-quarters of the caregiving duties in their homes; by April 2022, that number had tripled to reach 48 percent of women.^x Claudia Goldin, a Harvard economist, paints an alarming picture: “Until 1995, the U.S. was the world’s leader in terms of female labor force participation. Now, this host of countries that we used to think were [behind] in terms of gender norms have exceeded the U.S.”^{xi}

One might argue that true gender parity would have meant that just as many fathers as mothers would have stayed home or negotiated work-from-home arrangements during this national health emergency. But the reality is, the largest contingent of workers giving notice has been women, many of them women of color.

Resuming upward momentum on gender parity is clearly going to take some time. Our survey results show that most firms report an increase of women in their workforces of only seven percentage points (from 18% to 25%) between 2020 and 2022 and plan an additional increase of only six percentage points (from 25% to 31%) over the next three years. The view in the leadership ranks is also disheartening. Most firms report an increase of only four percentage points (from 13% to 17%) from 2020 to 2022 and expect an additional increase of only six percentage points (from 17% to 23%) over the next three years.

According to Paul Francisco, State Street’s CDO, “One could argue that, since we started focusing on gender a lot earlier than race, we should be at 50/50 or even 60/40 across all levels. But it’s a struggle to get where we want to be.” State Street grapples with this issue even though the company has quite a few programs for attracting, retaining, and developing women colleagues, including “The Leading Women” mentoring and sponsorship program, “Fearless Girl” for young female programmers, and others. If progressive firms like State Street are finding it difficult to attract and retain women, some other organizations may have an even tougher mountain to climb. Currently, only around 15 percent of U.S. companies have special college recruitment programs for women, and only 10 percent have women-focused mentoring programs.^{xii} →

Most companies only expect an increase of women in both the workforce and leadership of six percentage points over the next three years.



Other underrepresented talent: Efforts to keep pace

Recent research from Harvard Business Review reveals that fewer than half of surveyed companies include people with disabilities in diversity tracking, and only 11 percent track members of the LGBTQ+ community.^{xiii} Although there are certainly challenges with retaining talent from these groups, it is also possible that the numbers are relatively low due to reticence on the part of LGBTQ+ individuals and people with disabilities to self-identify. At companies that have consciously created a culture where self-identification is celebrated, the percentages will likely be higher.




Other URT (LGBTQ+, veterans, people with disabilities, older employees, etc.):

HBR's findings align with those from the KPMG DEI Progress Survey and our Boardroom Diversity Survey:

- Many companies prioritized race/ethnicity over other elements of identity between 2020 and 2022
- Future plans are more forward-reaching with an average goal of nine percent representation by 2025
- DEI Progress Survey participants say that "other URT" comprised, on average, only eight percent of the workforce three years ago and 11 percent today, with plans to get to 16 percent by 2025. On the leadership front, other URT made up only four percent of senior executives three years ago, and the percentage has increased to only five percent today. Surveyed organizations' future plans are a bit more ambitious with an average goal of nine percent representation by 2025.
- While 31 percent of U.S.-based respondents to our Boardroom Diversity Survey say that racial diversity would be most beneficial to their boards' long-term strategies, increasing diversity along the lines of gender, sexual orientation, and age were only cited as major goals by 11 percent, five percent, and five percent of respondents, respectively.^{xiv}

In the long run it is critical that companies acknowledge that, if one group is left behind, it hurts people from all underrepresented groups. Further, one of the clearest ways to get to true inclusion is by accounting for intersectionality—of age, disability, sexual orientation, gender, race, and other attributes. Google, for example, has taken this idea to heart with the creation of *Google-geist*, an annual employee survey comprising 10 questions focused on intersectionality and belonging at the individual, team, and social level. "Taking this approach allows us to get a proximate view of our employees' lived experience," says Melonie Parker, CDO of Google.



“Putting policies and practices in place that benefit people of color should also benefit, for example, women and members of the LGBTQ+ community. It’s about becoming a better employer. All boats rise with the tide.”

*Paul Francisco
CDO, State Street*



“In both recruiting and retention, we strive to honor the unique needs of particular communities,” says Melonie Parker, Google’s CDO. “What we need to do with Latinx or indigenous communities, for example, is different than what we do for Black communities. By varying our approach, our work is about more than just finding talent. It’s about cultivating talent for the long run.”

- **Expanding the concept of “Inclusion”:** “Inclusion” can be defined as when “those who are in an organization experience acceptance of their identities and ideas, feel a part of the system in both formal and informal ways, and sense that their voices and opinions are welcomed at every level of decision making.”^{xvii} Google advocates for taking a more expansive view of the concept of inclusion and focuses on “belonging,” which can be defined as “having a meaningful voice and the opportunity to participate in the design of political, social, and cultural structures.” This concept has been researched extensively by Dr. John Powell at the Othering and Belonging Institute at UC Berkeley, an organization that has been instrumental to Google’s DEI philosophy.

“A prime concern is that, oftentimes, companies’ DEI numbers look like progress, but, in reality, people don’t feel that they truly belong and have a voice that will influence the future direction of their organizations,” says Elena Richards, CDO at KPMG U.S. “If employees don’t trust that their companies are committed to sustaining change over time, DEI efforts will ultimately fail.”

Further, sentiment might vary by population. For example, in the annual KPMG American Worker Survey of more than 2,500 American adults, there were disparities in how underrepresented talent experiences DEI programs, e.g., slightly more Black employees (67%) feel that DEI programs benefit them directly than do Latinx (56%) or Asian-American (62%) employees.^{xviii}

▶ **The takeaway:**

Defining and fostering “diversity,” “equity,” and “inclusion/belonging” should help ensure that all underrepresented talent trusts that their employers have an unwavering commitment to their development, mobility, and advancement.

2 Determine how—and how often—to measure progress

If companies understand that the view of DEI progress will likely differ based on the “eye of the beholder,” they will strive to balance different perspectives in their value propositions, e.g., focusing primarily on recruiting and retaining talent vs. appealing to customers and investors by focusing on measurable social impact. Consider the following views by different constituencies:

Investors, who are increasingly evaluating companies based on Environmental, Social, and Governance (ESG) progress, may set a higher bar for the “S” in ESG than even CEOs themselves. A related issue is whether the board’s structure is aligned with ESG and DEI expectations and whether increasing diversity is a key consideration when board seats become available.

In contrast, the public at large may be interested in where organizations are making investments. According to our survey, 62 percent of companies are directing their investments toward internal programs, 58 percent are putting money into community impact initiatives like volunteering, and 58 percent are making donations related to social justice issues.

While 60 percent of survey respondents are increasing investments with diverse suppliers, only 43 percent measure their spend.

Also impactful are investments in increasing supplier diversity, as 60 percent of our respondents indicated. While the latter is encouraging, the fact that only 43 percent of respondents say they are measuring their spend with diverse business enterprises (DBEs) raises the concern that the focus on diverse suppliers may, in some cases, amount to optics as opposed to real commitment.

Finally, employees may be less concerned with overall diversity numbers than with whether they feel their workplace is a safe space that fosters inclusion at every level. This concept is supported by recent research from the University of Maryland School of Social Work, which concludes that job satisfaction is more closely linked to “actional efforts of inclusion in organizational processes” than to the racial composition of the workforce.^{xix}

It is no surprise that a technology company like Google is focused on hard data, including not only whether underrepresented talent at the company aligns with available talent pools, but also whether there is equity in promotions, performance ratings, assignments, and feedback. However, according to Google CDO Melonie Parker, it is important to look at subjective data on lived experiences as well, as this “gives context to other data and is invaluable when it comes to prioritizing and designing interventions to close gaps.”



► The takeaway:

As the saying goes, “You can’t improve what you don’t measure.” While this quote from Peter Drucker referred to business in general, one might argue that, when it comes to DEI, measurement can do more than “improve” the work environment. In fact, it has the potential to bring about a sea change in what the business world looks like—transforming everything from how organizations think about what it means to build a high-performing team, to ensuring that workers find real meaning in their work, to driving generational change in certain populations.

While it is certainly commendable that many companies have gotten into a rhythm of measuring progress via employee DEI surveys and Diversity Annual Reports, there are a few caveats organizations should keep in mind:

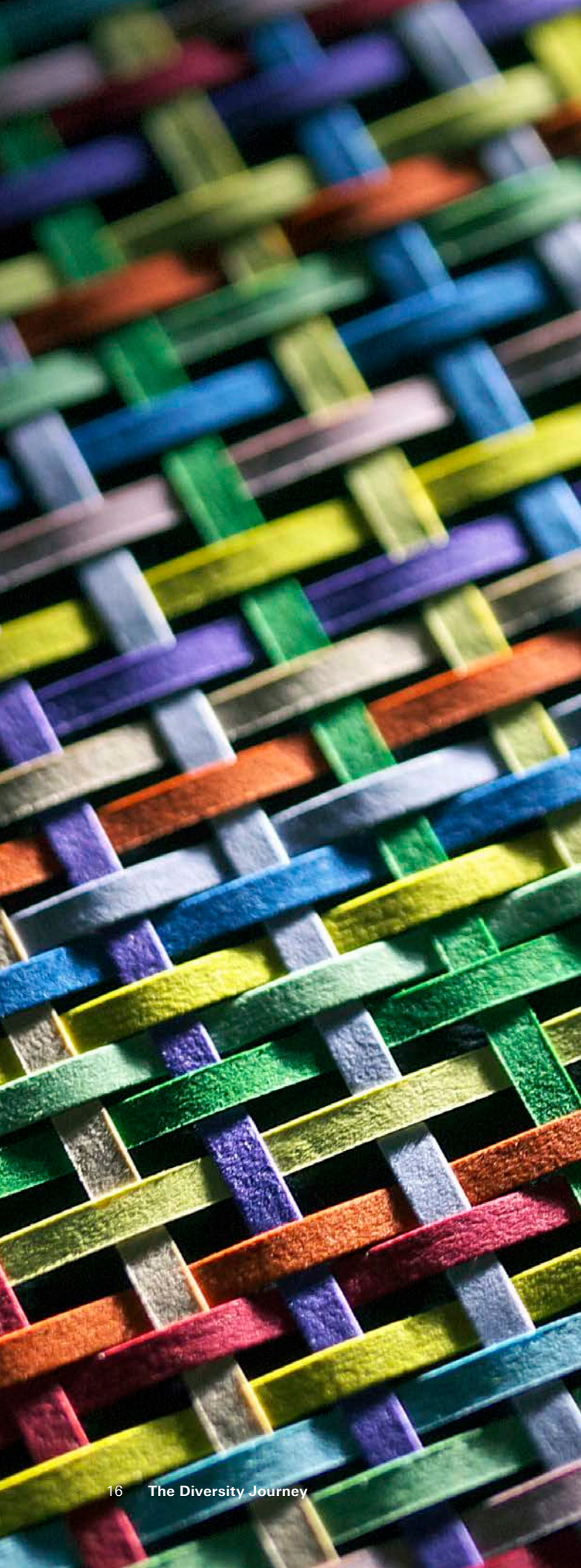
- Although there is value in tracking the same metrics over time, organizations should consider whether it is necessary to evolve what they measure annually to include their own learnings and the challenges of the moment. For example, the acute disaffection of many Black employees after the murder of George Floyd was a burning issue in 2020. Today, with women still struggling with childcare issues stemming from the pandemic, the risk of losing progress on gender equity has become one of the most critical issues of the day.
- Although it is instructive to parse employee experiences around equity and belonging in the workplace according to race, gender, sexual orientation, gender identity, etc., it is important to remember that most underrepresented talent doesn’t fall neatly into one category.
- Measuring on an annual basis is essential for evaluating year-over-year progress and benchmarking against other companies in the same sector. However, equally important is taking a pulse on a regular basis, say monthly or bimonthly, to get a view of how issues like psychological safety, authenticity, and dealing with microaggressions are affecting URT on a day-to-day basis.

Be specific about accountability

As mentioned above, investors and other financial stakeholders are increasingly interested in ESG-related issues like DEI, as they are widely considered to have an impact on organizations’ financial performance. In fact, shareholder “vote-no” campaigns related to ESG and DEI are becoming increasingly common.^{xx}

In turn, there is an increasing call by corporate stakeholders to link ESG, and by extension DEI, commitments to executive compensation. Although recent research shows that 45 percent of FTSE 100 companies and 58 percent of S&P 500 companies^{xxi} connect ESG to executive pay calculations, homing in on DEI within those efforts still faces some obstacles.

A recent Gartner report says that leader accountability is the biggest obstacle to realizing DEI progress, according to nearly 60 percent of surveyed organizations.^{xxii} This finding is echoed by responses to our DEI Progress Survey: Currently, fewer than half of respondents prioritize DEI as a key element on the board’s agenda, and only 38 percent tie their CEOs’ compensation to DEI. Therefore, as organizations make human capital decisions—particularly as they relate to DEI metrics and compensation—it would be well considered to evaluate your organization’s DEI progress and how to best track performance progress against selected metrics.



3 Put barriers to change under a microscope

Looking at a wide spectrum of research studies and opinion pieces beyond our DEI Progress Survey, the most frequently cited reason for lack of DEI progress is an insufficient pipeline. For example, in our 2022 Boardroom Diversity Survey, 30 percent of respondents cited an insufficient pipeline as the greatest impediment to recruiting diverse board candidates.^{xxiii}

That said, when you take a more granular look at respondents who identify as URT, most dismiss the pipeline argument and nearly one-third say they believe not tapping into the pipeline is more likely a function of the CEO and board's inclination to recruit from a narrow social/business circle. The most forward-looking boards are taking a less myopic view and, when there are open board seats, using different criteria to create a short list, such as including individuals with somewhat different socioeconomic and educational backgrounds; considering candidates with unconventional resumes; intentionally expanding their own professional networks, etc.

As you look at the pipeline and progress or lack thereof, consider the juxtaposition of the following statistics:

- In general, women are earning more advanced degrees than men,^{xxiv} and yet representation by women on North American boards is only inching slowly upward (from 22 to 27 percent over the past two years).^{xxv}
- Women represent nearly 50 percent of accounting school graduates, and yet women comprise only 23 percent of accounting firm partners.^{xxvi}
- Although Latinx individuals comprised 16 percent of accounting school graduates in the 2018 academic year, Latinx new hires at accounting firms the same year only came to 10 percent.^{xxvii}

- In technology education, the average freshman class in computer science is around 17 percent women, which translates into 27 percent of all U.S.-based STEM workers, according to the U.S. Census.^{xxviii} However, if you look at top engineering schools, such as Carnegie Mellon University, the incoming class at the School of Computer Science in recent years was around 48 percent women,^{xxix} which likely means that women’s representation in the technology field is not keeping pace with their ambitions.
- Among computer science and engineering graduates, 57 percent are White, 26 percent are Asian-American, eight percent are Latinx, and six percent are Black, according to American Community Survey data.^{xxx} And yet, looking across Big Tech, representation breaks down to 56 percent White, 37 percent Asian-American, three percent Latinx, and one percent Black, according to technology companies’ diversity reports.^{xxxi} Based on a comparison between these two sets of numbers, it may be fair to conclude that White and Asian-American representation in the technology sector is more closely aligned with educational aspirations than Black and Latinx representation.
- In contrast to all the above, White men hold 66 percent of board positions, although they represent only 38 percent of the U.S. workforce, according to analysis conducted by the University of Massachusetts-Amherst Center for Employment Equity.^{xxxii}

Barriers to change cited in the KPMG DEI Progress Survey include:

- 47%** Lack of knowledge on how to proceed
- 41%** Greater focus on internal reorganization than DEI efforts
- 39%** Insufficient funding and investments
- 39%** Potential exposure to legal, regulatory or compliance risks
- 37%** Lack of leadership commitment

▶ **The takeaway:**

On the one hand, DEI progress across sectors can’t always be viewed through the same lens. Accurate measurement is best achieved by accounting for the available talent pipeline in relation to the pace and level of representation. For example, industries like healthcare and government have historically attracted more POC and women than IT and financial services. On the other hand, if you consider that women, people of color, people with disabilities, and those in the LGBTQ+ community collectively comprise the majority of the workforce, companies need to consider whether a lack of will among corporate leaders, rather than a limited talent pipeline, is the most salient barrier to DEI progress.

4 Empower your DEI Leadership

The KPMG DEI Progress Survey was open to all DEI leaders, including the entire C-suite. However, although 72 percent of all respondents identified themselves as C-level, only 15 percent were CDOs. While it is encouraging that CEOs, COOs, and CHROs (16% each in our survey) are also invested in making progress on diversity, the response rate raises some concerns: Have some firms not yet embraced the idea of hiring a CDO? Are CDOs actually at the helm of DEI efforts? And do CDOs and their teams have the resources to effectively drive progress?

Some of our findings—and other research—indicate that progress on empowering DEI leadership has room for improvement:


- Around 65 percent of respondents to a Korn Ferry survey say their organization has a CDO or equivalent, with 56 percent saying the position was created after mid-2020.^{xxxiii} While the explosion in CDO hires is encouraging, 35 percent of companies still don't have a senior executive at the helm of DEI efforts.



- DEI is primarily considered the domain of HR according to 82 percent of our respondents. While this may be appropriate given HR's focus on employment issues, it raises the question of whether DEI has yet been elevated to the level of corporate strategy.
- Sixty-two percent of our survey respondents said the CDO (or equivalent) role is primarily responsible for tracking representation, while fewer than half said CDOs were involved in talent identification and acquisition. These findings raise the issue of whether the role is, at some companies, largely symbolic and not empowered to effect demonstrable change.
- Despite being vocal about their commitments, most companies have not significantly increased their DEI budgets over the past two years—53 percent say their budgets have not changed and 27 percent say their budgets have increased by only one to five percent.

35%
of companies
don't have a senior
executive leading
DEI efforts

DEI leaders like KPMG's Tori Farmer are not surprised by these findings: "The CDO role has quadrupled in recent years, but some of this activity has been nothing more than demonstrative. In a racial crisis, the easiest thing to do is appoint a figurehead to be the face of DEI. However, this doesn't always translate into an indication that the organization is ready to make systemic changes." →



More than three quarters of the companies we surveyed view DEI as a business imperative, and more than half (59%) consider DEI critical to company growth and profit potential. However, do these sentiments translate into the CDO having a seat at the C-suite table? Has DEI been elevated to a key component of corporate strategy? Without this level of visibility and influence, DEI teams won't have sufficient budget dollars or resources to allow for change to happen."

*Zoe Thompson
KPMG Advisory Principal and
ESG Social Strategy Lead*



As more than 50 percent of CDOs are new to their positions,^{xxxiv} it is clear that, even the most empowered individuals can't be lone voices in the wind. Cases in point:

Google: According to CDO Melonie Parker, the global nature of Google means that there are multiple teams working on discrete DEI mandates, all of which add up to "a whole that is greater than the sum of its parts." In addition to teams focused on representation, performance management, promotion, and development, all with an equity lens, Google has a client-facing team of diversity business partners; a "Stay and Thrive" retention team; and an Equity Programs team that works on cocreating equitable practices and policies. Additionally, more than 40,000 "Googlers" participate in employee resource groups.

State Street: Paul Francisco of State Street agrees that real DEI progress requires a companywide effort: "Although there are some clear DEI stakeholders and leaders across the C-suite, human resources, the operating committee, and the leadership committee, I like to say that all 39,000 State Street employees are ambassadors for DEI. We need everybody to contribute to the inclusive culture of the organization and to help ensure that our diversity efforts are robust enough to maintain our spirit of innovation."

Major U.S. bank: The CDO of a major U.S. bank echoes these views: "It requires every single person in the company to get on board or decide they're not going to be on board and move on. I often tell my CEO, if I'm the only person at the company talking about DEI, I'm doing you a disservice. Everybody on our executive management team, our middle management team, and our transactional processing team should be looking at people issues through an inclusion lens."

► The takeaway:

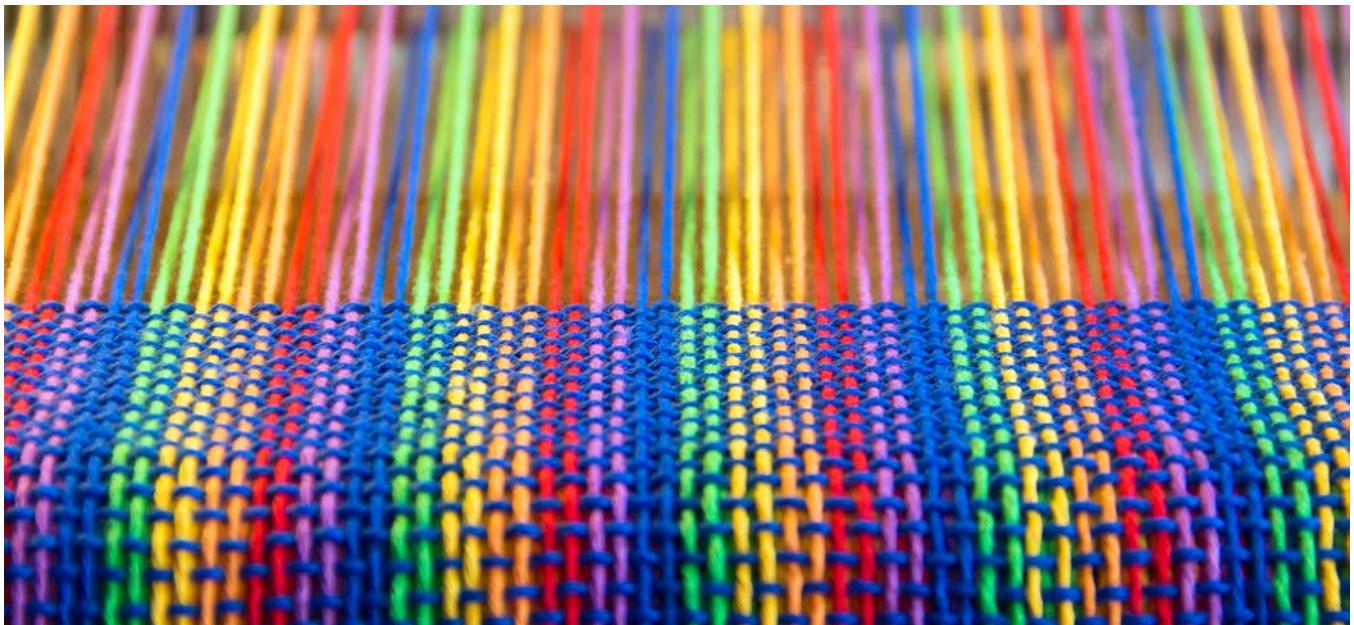
As discussed above, while DEI programs require a common language, robust measurement protocols, carefully considered accountability paradigms, and an honest look at the pipeline, perhaps the most important way to look at DEI efforts is as a people and change initiative. Communicating with an organization's people and motivating them to change their mindset on diversity takes an empowered DEI team.

The most progressive DEI teams realize that, rather than focusing on mandatory diversity training or other coercive tactics, it is preferable to consider methods that foster personal engagement in the organization's diversity mission and that create more direct contact with underrepresented talent. Tactics that have proven effective include voluntary participation in targeted college recruitment programs, robust mentoring programs for URT, self-managed teams with no formal hierarchy, rotation assignments that expose URT to a wider variety of corporate leaders, and transparency into performance evaluations and pay raises.

According to a sampling of findings from a Harvard Business Review study,¹ these methods can lead to encouraging results:

- College recruitment programs targeting women have been shown to raise the percentage of White, Black, Latinx, and Asian-American women in management by an average of 10 percent over five years.
- Recruitment programs targeting Black professionals increase the proportion of Black men who are managers by eight percent and Black women who are managers by nine percent.
- Voluntary diversity training has been shown to increase the number of URT in management over five years, which breaks down to a nine percent to 13 percent increase in representation by Black, Latinx, and Asian-American men and women, and no major change in either direction for White and Black women.

¹ Source: Dobbin, F. and Kalev, A., Why diversity programs fail, Harvard Business Review, July-August 2016.



Conclusion: Be bold about DEI

Making progress on DEI is complicated. Nevertheless, our hope is that the four big ideas we outlined in this paper will help invigorate your efforts and empower your teams. Here we leave you with a summary of our views with some final thoughts for inspiration:

1 Remember that words count.

- *Commit* to creating a welcoming work environment where everyone feels safe to bring their authentic selves to work, raise thorny issues as they arise, and throw their hats in the ring for plum assignments and promotions.
- *Shift* from the phrase “difficult conversations” to refer to discussions around race. Instead, think of these discussions as “necessary conversations” that reflect the view that promoting underrepresented talent is a privilege, not a stressor.

2 Determine how—and how often—to measure progress.

- *Share* your diversity statistics, as well as best practices and trainings, not only with the public, but also with clients. You will likely find that clients come to view you more as a partner than a vendor and that your efforts will multiply exponentially.
- *Gauge* employee perception and trust around your DEI efforts, as they are as much of an indicator of your success as absolute numbers.

3 Put barriers to change under a microscope.

- *Establish* strong relationships with Historically Black Colleges and Universities (HBCUs), Hispanic Serving Institutions (HSIs), and other universities with ethnically mixed student bodies to put together a diverse entry-level “class.”
- *Invest* in on-the-job training, upskilling, and mentorship/sponsorship specifically geared toward underrepresented talent to ensure a robust future pipeline for your company.

4 Empower your DEI leadership

- *Seek* outside help when necessary to help evaluate any aspect of your DEI efforts, including enhancing your measurement methodologies, managing stakeholder perceptions, and creating people and change programs that shift mindsets and actions across the organization.
- *Align* with your DEI leadership around the idea that diversity, equity, and inclusion isn’t just about driving your organization’s growth and profitability. It’s about making a positive societal impact and making DEI central to your employee value proposition.

KPMG LLP’s CDO Elena Richards concludes with this view of the DEI landscape: “Although measurement is critical, equally important is the employee experience of DEI as the centerpiece of a company’s efforts. Organizations should do everything they can to ensure employees trust that leadership is constantly scanning the landscape for effective practices and that they understand and celebrate everything that makes employees unique.”

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