

Advancing Workplace Equity from the Boardroom

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About this Report

TOTAL PARTICIPANTS:

26

DIRECTORS:

17

EXECUTIVES:

9

PUBLIC COMPANIES
REPRESENTED:



35

MARKET CAP
REPRESENTED:

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17
WOMEN

9
MEN

Investors, regulators, employees and other stakeholders continue to push for progress in advancing diversity, equity, and inclusion (DEI) in the workplace, including the promotion of pay and opportunity equity without bias. Corporate boards can play a critical role in driving organizational commitment and providing guidance to their management teams on strategies to drive DEI as a core ingredient of responsible and successful business. But boards are still developing their capacity to oversee workplace equity; they often lack the skills, tools, and processes for effective governance.

To advance progress on these issues, Tapestry Networks, in partnership with [Syndio](#)'s Fair Pay Workplace, conducted a study to assess the role of boards in defining and advancing workplace equity and to understand how workplace equity generates better business outcomes. This report reflects insights from interviews with 26 board directors and DEI professionals from almost 40 leading companies; it explores the current realities and challenges for effective board oversight of workplace equity and suggests pathways for improved governance.

Discussions were held under a modified version of the Chatham House Rule permitting quotation without attribution. Throughout the document, anonymized quotes from interviews are presented in italic type. A complete list of contributors can be found on page 25.

Key findings



Boards and organizations vary widely in level of commitment and maturity of oversight.

While only a few organizations face clear hostility to DEI goals, others lack clear targets, meaningful accountability, metrics, reporting structures, or effective integration with business objectives. Mature organizations have fully integrated DEI into business strategy and operations and recognize DEI as a driver of business objectives.

Board and management diversity is essential for progress on workplace equity but can lead to dependence on a few individuals.

Diverse boards drive more robust conversations and attention, and diversity in management leadership helps to ensure progress workplace equity. But it often falls to women and minorities to advocate for these issues, which can absolve other leaders of responsibility and lead to exhaustion and burnout.

Tying DEI to business objectives drives commitment and progress.

Few boards go beyond a general acceptance that diversity is good for business, but more mature organizations are able to make a clear connection between investments in DEI and concrete business outcomes.

Organizations monitor ample DEI data, but information often fails to come to the board in a way that drives decision-making and action.

Boards are looking for robust data on workforce diversity at all ranks, pay and opportunity equity, and measures of the inclusiveness of the organization's culture.

Accountability for meaningful goals is essential.

Setting aspirational but realistic goals remains a challenge. Once targets are in place, organizations often lack clear mechanisms for holding leaders accountable.

Transparency catalyzes action but brings risks.

Effective communication is a crucial means of overcoming employee mistrust, but missteps can inflame suspicions. External disclosures demand equally thoughtful consideration—transparency can build trust and drive accountability, but also brings reputational, legal, and competitive risks.

Boards lack commonly accepted oversight and reporting practices.

Directors would benefit from a set of accepted approaches and tools for effective oversight, as well as common reporting standards.

For some questions that can promote deeper exploration of the findings emerging from this report and drive action, see page 24.

Introduction

Diversity, equity, and inclusion (DEI) goals, including the promotion of workplace equity by advancing pay and opportunity equity without bias, are quickly rising on the agendas of boards, regulators, and investors. Although these objectives have attracted political opposition in a few quarters, most market participants see them as critical to the economic success and sustainability of large public companies. But corporate boards are still learning how to oversee DEI and to drive it as a strategic business objective.

Speaking of the factors influencing DEI objectives, an executive said, *“You have a combination of things happening at the same time, coming not just from investors and employees, but society in general. I think publicly traded companies are being buffeted by all these social forces at the same time.”* The emergence of the #MeToo movement in 2017 shone a spotlight on issues of workplace sexual harassment and gender discrimination, while global attention to the murder of George Floyd in the summer of 2020 galvanized attention to racial justice and equity. Investors are paying attention: in the 2022 proxy season, seven publicly traded companies in the Fortune 100 received proposals for pay-gap disclosures and 17 faced proposals for civil-rights audits or other diversity reports. Sixteen of these 24 proposals gained at least 30% support.¹

How are corporate boards responding? We found that board oversight of DEI is far less developed than governance of environmental impact. Boards and management teams appear to lack a fundamental understanding of what they are trying to achieve in pursuing DEI goals (see box on page 7), and they vary widely in their comfort with and approach to workplace equity, diversity, and inclusion.

A director described the situation: *“I’m on a number of boards, and I would say they’re all on the journey—that’s the good news. But they are at different phases of the journey.”* Other directors and executives compared their companies’ organizational commitment and maturity of DEI initiatives and oversight. One said, *“Bringing up the conversation is not difficult anymore, but what happens in those conversations varies. Between my three boards, there are stark differences: some treat DEI as a ‘nice to have,’ or information gathering, or ‘check the box.’ But others say, ‘We are really trying to be better; we know we have to get this right.’”* Another director described variations in oversight maturity: *“At one company, they have it down cold. They are able to say with confidence, ‘Here are the demographics of your talent pipeline.’ They can show the board how people move from one level to another, and they make sure that we can understand that on an annual basis with high-quality information. In another company, we’re not there at all.”*

At one extreme, some workers and even top leaders are openly antagonistic to equity objectives. A research contributor described a company where a recent employee survey showed an overall highly positive view of inclusion, but a demographic analysis indicated that *“White males were very negative on all the DEI questions.”* Another contributor noted, *“Given our size, we are a microcosm of society, but perhaps we are skewed toward that part of society that doesn’t support DEI, so we struggle to do some of the things I have done at prior companies.”* A director said, *“Let’s be honest: There are plenty of people in this country who do not align with anything in this space. They think that things were better when it was mostly men and everybody was white. There still are people who live in that world, and some of them sit on these boards. If you get more than one or two on a board, then it’s hard for the CEO to drive this agenda. That is the extreme, but I have seen that.”*



I’m on a number of boards, and I would say they’re all on the journey—that’s the good news. But they are at different phases of the journey.”

In other organizations, progress on workplace equity depends on what a research participant called *“the goodwill and discretionary effort”* of women, people of color, and their allies. Some boards rely on one or two champions to keep these issues on the agenda. As a result, workplace equity depends on individual commitments, rather than the integration of DEI goals into strategy and operations. A few more mature organizations have incorporated DEI across the entire business and demonstrated concrete connections with business outcomes.

DEFINING THE PROBLEM AND THE OBJECTIVE

Boards and management teams often lack a common understanding of the DEI objectives they are trying to achieve. Stakeholders use terms such as diversity, inclusion, belonging, equity, equality, and antiracism, and boards can struggle to align on how those concepts relate to one another, how to connect them to business objectives, and how to establish meaningful goals and strategies to achieve them.

We heard research contributors using a variety of terms:

“What I usually talk about is where we are with representation and how we’re doing from a cultural standpoint around inclusion.”

“Workplace equity to me is all about policy and systemic changes around fairness. What we have been doing is making sure our policies are accessible.”

“What we universally talk about is belonging. Because today you can carve up a workforce in so many different ways, it’s really more about how we create an environment and a culture in the organization where everybody, however they identify, is able to bring the best version of themselves to work.”

“It’s really about fair play and opportunity for all.”

“We defined equity through antiracism, which means that we want to ensure that we are providing equity, and it’s all about the decisions that are being made. We want to ensure that people are making consistent, deliberate, intentional decisions to promote equity at all costs.”

“We have a diversity, inclusion, and belonging committee. The company has a culture of being a family, so belonging is a very, very important thing.”

Developing a shared way of speaking about these issues can enable a board and management team to more effectively assess an organization’s current position; establish goals, objectives, and overall DEI strategy; and measure progress.

Leadership Composition Matters

BOARD AND TOP MANAGEMENT DIVERSITY ARE CRITICAL TO WORKPLACE EQUITY

Most large companies say that they want a workforce where all identity groups are fairly represented at all levels, but getting there is more difficult. A director said, *“You can usually persuade a critical mass of people that we should have an equal number of women in the professional workforce. That’s a great place to start. And then, you know, you can peel back the onion, and say, ‘We’re making tremendous progress on that, but how do we think about ethnicity? How do we think about race? How do we think about veterans? How do we think about every other category?’”*

Research contributors told us that without diversity in the executive suite and the boardroom, objectives such as pay equity, opportunity equity, and culture of inclusion will be elusive. This is because members of underrepresented groups are often the main proponents of action on DEI. Relying on these leaders to champion DEI, however, can foster complacency and a failure to integrate these issues into strategy, operations, and corporate oversight.

Board diversity and board champions



When you have a diverse board, you are far more likely to have these great, robust discussions.”

Board composition is a crucial variable; having a critical mass of women, racial and ethnic minorities, and other underrepresented groups on the board catalyzes conversations and significantly affects the level of commitment and pace of progress. As a result, recent gains in diversifying boards may help to advance workplace equity. Spencer Stuart reported in 2022 that 72% of new S&P 500 directors were either women or from underrepresented racial/ethnic minorities or the LGBTQ+ community. Despite this progress, boards still do not reflect the diversity of the broader workforce: 32% of S&P 500 directors are women and 22% are people of color.²

Board diversity fosters fulsome board dialogue and keeps workplace equity on the agenda, according to a director: *“When you have a diverse board, you are far more likely to have these great, robust discussions.”* Another director pointed to personal experience to underscore the value of a diverse board: *“I’ve seen the importance of board composition. In the short time*



[Raising DEI issues at the board] typically falls on the women on the board or the people of color on the board, and everybody generally seems okay with that. But I think that it should be an expectation of everyone.”

I’ve been on the boards, I’ve brought up topics and inserted myself. Board representation matters.” Lack of board diversity, by contrast, can create headwinds. *“I’ve seen indicators in interactions with less diverse boards. In those cases, progress on DEI requires a lot more advocacy,”* another director said.

A diverse board is more likely to drive CEO commitment and accountability. An executive described the journey in one company: *“The board diversified and, as a result, the CEO got a DEI scorecard to hold him accountable to the board, so it becomes a standing agenda item in board meetings. Through board diversification, DEI became a part of the dialogue, and the transformation gave the CEO a platform to speak on this as a topic in board meetings. It’s been a game changer.”*

But in many boards, it falls to a “champion”—typically someone from an underrepresented group—to “*pound the table*” and keep these matters on the agenda,

indicating that they are not fully integrated into board oversight. A participant recalled the way a more experienced director drove attention to gender issues in board discussions: *“When I say pounding the hands on the table, that’s exactly what she did—and she set the example for all the rest of us. When you’re new on a board, you look around the room for examples; for me, she was one of them, and I’ve been pounding my hand on the table ever since. She was doing it for women, and I’ve been doing it for people of color, and everybody else.”* A director described fighting for space on the board’s agenda: *“I recently had to push the conversation on DEI and ESG [environmental, social, and governance issues] because the board calendar was packed, and they wanted to table this. So I had to push to say, ‘I want to be heard.’”*

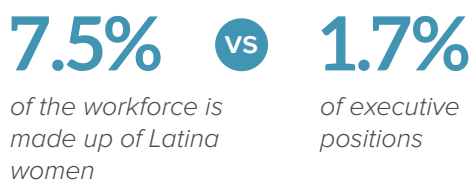
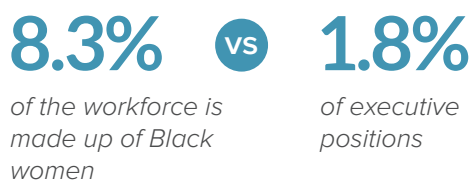
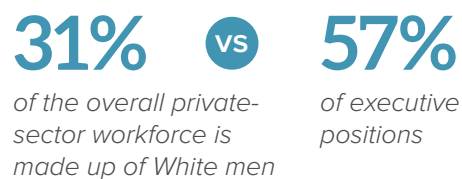
In some cases, a nondiverse leadership group fails to see or to address the problems in front of them. A female director observed bias in a male CEO’s evaluation of a female executive, which only she and the other women board members recognized and agreed to confront. Without multiple women on the board, the CEO’s misogyny would not have been unaddressed. Another director noted, *“We’ve got a couple of African American members of the board. One of them is fantastic—he does not let the priorities for the Black community ever fall. He is vigilant, but if he wasn’t there, who would be looking out?”* A director offered an example: *“At the plant level, the company is very diverse, but virtually all plant managers are white, and management staff are all white. The criteria for becoming a plant manager had created a barrier to people of color getting into those roles, so we had a hard discussion about what it takes to be a plant manager. But that conversation would not have happened if I wasn’t on the board.”*

Relying on a few champions can absolve other directors of their responsibility. *“I think all directors are expected to have sort of a baseline understanding of a lot of things, like the particular industry of the company, the finances, strategy, the marketing,”* a contributor said. *“But there isn’t an expectation that they have an understanding of all things people and particularly in the space of diversity, equity, and inclusion. That typically falls on the women on the board or the people of color on the board, and everybody generally seems okay with that. But I think that it should be an expectation of everyone.”*

The importance of management diversity

Diversity at the management level materially impacts an organization’s ability to drive equity and inclusion. A director said, *“For lots of minorities, the feeling of belonging comes from finding people who are like you. There’s important mentoring that takes place because they are being coached by someone who can stand in their shoes.”* Another noted the impact on opportunities: *“When you have women and people of color at all levels, suddenly things get a lot better because women and people of color are in those conversations about promotions.”*

But achieving a meaningful level of diversity requires metrics, targets, and tracking, as another explained: *“You need to have a critical mass at all levels to make sure that people are recognizing the skills and talents of everyone. To make that happen, you must have hard targets, including percentage representation of different groups. These things don’t happen on their own.”* Much remains to be done; women and people of color remain significantly underrepresented in management and leadership roles. According to 2020 data from the US Equal Opportunity Employment Commission, White men make up 31% of the overall private-sector workforce but occupy 57% of executive positions. Black and Latina women are the most severely underrepresented: Black women are 8.3% of the workforce, but only 1.8% of executives, while Latina women make up 7.5% of all employees, but only 1.7% of executives.³



As in the boardroom, reliance on diverse leaders to advocate for equity and inclusion can indicate that commitment to equity is not woven into organizational structures and processes or that members of the dominant culture are not fundamentally supportive. One executive said, *“Much of what you see happen is a lot of discretionary effort from women and people of color in particular, along with some allies, who are very invested in their own success and making the playing field a little bit more fair and even.”*

Dependence on this kind of discretionary effort can shift the burden to a few people. *“The problem is the people who are doing all the work are the same people all the time. That’s why a lot of DEI stuff runs out of steam, because there’s no natural refreshment of resources and the cavalry never arrives. It’s always still the same group of people.”* A research contributor said, *“The chief diversity officer role is still one of the toughest jobs in any company. It’s a new role, and people don’t know what to make of it. Companies don’t give it the time, resources, and attention it needs. It’s often a lonely and difficult job.”* Recent data supports this view. A survey conducted last year indicated that the tenure of chief diversity officers in S&P 500 companies has fallen to less than two years, and 60% of diversity officers in the S&P 500 left their positions between 2018 and 2021.⁴



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Connecting Equity to Outcomes

LEADERS MUST SHOW HOW WORKPLACE EQUITY DRIVES BUSINESS SUCCESS

Some directors admit that their organizations have been motivated to action primarily by external pressure. One said, *“2020 was a pivotal point, when companies realized there are inequities in corporate America and were getting shamed into doing the right thing.”* The last three years have seen significant but uneven progress, and many leaders expressed frustration with the pace of change and the level of organizational commitment. A director said, *“After a peak in the summer of 2020, which was a phenomenal moment of progress, there’s been a dramatic falloff,”* with poor follow-through and even backlash against DEI efforts. Another director said, *“If you look at the commitments people made then and compare them to progress toward those commitments, it’s dismal. It ebbs and flows with the economy, with how long since some horrific event has occurred. If there is a genuine commitment to how and why this is important, it shouldn’t ebb and flow.”* Another director noted that board actions often do not match stated commitments: *“When the question came up of how often this should get reported to the board, I said it should be quarterly, and got a lot of raised eyebrows. I said, ‘Is this a business imperative or not? It is one of our goals, but we don’t report on it? That’s confusing.’”*

Identifying more concrete links between equity and business outcomes



After a peak in the summer of 2020, which was a phenomenal moment of progress, there's been a dramatic falloff.

For organizations to move beyond reliance on board champions and discretionary efforts, they need to embed workplace equity in strategy, operations, and governance processes. That is unlikely to happen unless DEI is recognized as a driver of strong economic performance. One director said, *"We can't lose sight of the business aspect of this, because where a lot of companies fall short is that 'this is a nice thing to do' versus a business imperative that actually drives better results."* The question is, *"How do you get to the place where, just as we look at profit-and-loss statements on a daily and a weekly basis and follow sales like a hawk, we create an environment where this is woven into the fabric of the discussions that we have on a daily basis?"*

Top leaders often speak of DEI as good for business. *"Certain things are accepted now: diversity of thought gets you to better product ideas and product profitability. There is a ton of research that points to this. Because we've been on this journey for so long, you see it; it is accepted,"* one contributor said. In many cases, this is linked to talent retention. A contributor said, *"The majority of the board will acknowledge that they believe that diversity is a business strength and advantage. A lot of the time it is couched in the sense that if our culture is good and we can retain our top people, then our business will perform better in the industry."* But some directors challenged these statements. One said, *"I think there's an assumption that executives and board members both understand and embrace this. I don't think that's an accurate assumption. I don't think board directors always understand what it is, why it's important, and how they can help influence the company toward its goals in this area."*

Going beyond broad claims, relatively few can clearly draw the link between specific DEI efforts and *corporate resilience, growth, and profitability*. DEI priorities can remain vague and ambiguous, can struggle to get adequate attention and resources, and can suffer in cost-reduction drives. Indeed, recent research from Revelio labs revealed that in a sample of over 600 companies engaging in layoffs in 2022, there was a 33% attrition rate for DEI-related roles but only a 21% attrition rate for non-DEI roles.⁵ A contributor said, *"Although the link between diversity and performance may be understood, it's hard to convert this practically into action. The challenge is to give it as much airtime versus other topics and metrics that seem closer to how you run the business, such as the go-to-market strategy or financial metrics. It's hard to get the same amount of time and conversation around this issue."*

Moving DEI from cost center to business enabler

DEI can still be seen as a cost center rather than a driver of business outcomes *“DEI is a cost center, and I don’t think that the value that DEI generates is immediately perceptible by the company. It is a laudable goal that most people in management agree with, but the dividends from achieving that goal are not tangible enough for people to spend money on them,”* one executive said. *“The pie is fixed and you’re competing for dollars. Suppose IT needs to buy the newest version of SAP because SAP won’t support what you have anymore. IT is going to get the money they need—and your opportunity of getting a cut of the pie gets smaller because IT can say, ‘If I don’t spend this money on SAP, this bad thing is going to happen.’ DEI can’t do that, so DEI relies on goodwill from the people who are decision makers about funding things and their personal alignment with its value.”* And goodwill only goes so far. In a 2022 survey conducted by Syndio asking professionals and leaders about their workplace-equity programs, only 25% of respondents strongly agreed that they had the budget and head count needed to support a robust workplace-equity program.⁶

25%

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Some organizations have gone much farther in integrating DEI into strategy and operations, where it is seen as a differentiator and strategic partner for business and functional leaders. One contributor stressed the need to reframe conversations about DEI: *“I realized that when I walked into the CEO’s office, everyone else talked about profit and loss, and my soundbites were all about cost, not impact—so there was an imperative to connect DEI language to the business language of impact.”* Viewing all aspects of the business in the context of DEI can generate solutions to complex business problems, capitalize on opportunities, and drive growth. DEI leaders, CEOs, and boards should adopt this mindset.



DEI relies on goodwill from the people who are decision makers about funding things and their personal alignment with its value.”

Contributors cited examples of how workplace equity can lead directly to concrete business value:

- **Driving down recruiting and retention costs.** Promoting diversity, driving workplace equity, and creating an inclusive culture can help attract and retain key talent. One contributor described investments that enabled hiring several new executives without expensive searches. *“I was able to show that because we spent that \$1.5 million, we’ve saved \$4 million in hiring costs and then also added to our diversity pipeline. And the board was just beyond impressed that that money that they approved turned into some real serious savings. You’ve got to be able to tie investments and initiatives to impact.”*



The board was just beyond impressed that that money that they approved turned into some real serious savings. You've got to be able to tie investments and initiatives to impact."

- **DEI as a competitive differentiator.** One DEI leader described a partnership with a business line that involved integrating DEI into the sales process and including the chief diversity officer in pitches with clients. *"The clients said they chose us because we have a DEI strategy that was a differentiator. Within 36 months of utilizing DEI as a sales tool and differentiator in the sales process, we amassed an additional \$60 million in that one business unit, so the CEO said we have to scale it."* Crucial to the success of this initiative was integrating DEI into existing processes rather than treating DEI efforts as additional activity asked of already stretched business leaders.
- **Using employee resource groups to drive innovation.** Multiple contributors described ways to expand employee resource groups beyond being means of supporting members of particular identity groups to become drivers of business growth. A contributor noted, *"We've turned our employee resource groups into business resource groups. That might seem like a subtle shift, but it was much more than that because instead of them being a forum for being able to lodge complaints, we said, 'How can this benefit our business?' The idea of business resource groups rather than employee resource groups positioned them as a positive force not just for the diverse group but also for the business itself."* A director described the way an organization had tapped employee resource groups to generate innovative solutions to the problem of attrition among diverse employees, in effect empowering the employee resource groups to train senior leaders to respond more effectively to the challenges facing minority employees.
- **Minimizing reputational and legal risk.** Integrating DEI into decision-making can reduce reputational and litigation risk. One DEI leader built a working relationship with the legal department: *"I started as their worst nightmare, but I'm now their best friend. Lawyers are paid to do a very particular job, which is to protect the company—so from day one, my job is to prove to them that I'm protecting the company in a different way."*



The idea of business resource groups rather than employee resource groups positioned them as a positive force not just for the diverse group but also for the business itself."

COMPANY-SPECIFIC FACTORS DEMAND DIFFERENT APPROACHES

The specific circumstances of any given company may necessitate different approaches for the journey to equity. Contributors identified several important dynamics:

- **Size and stage.** The pressures on a start-up can squeeze out attention to DEI issues. One contributor described a *“we’re too small to worry about it”* dynamic, where the need to survive becomes an excuse to avoid DEI matters. In fact, small companies and start-ups operate with significant freedom and flexibility, and contributors urged boards to seize the opportunity to *“hardwire”* a commitment to DEI into the culture of a start-up from early days. Larger companies may have the resources and organizational sophistication to enable them to put energy behind equity and inclusion, but they may also have entrenched cultures, organizational bureaucracies, and risk aversion that holds back change.
- **Scarcity of talent.** Operating in an industry with high workforce turnover and stiff competition for talent can raise the priority of DEI efforts. One contributor said, *“Particularly when there’s a war for talent, you’re not going to be able to get the talent you want unless you delve into nontraditional sources for your people, which means recruiting a more diverse talent pool.”* Organizations with more stable workforces may need to be more intentional about driving progress. *“Energy and utilities tend to lag on these kinds of issues behind sectors that are really in a war for talent. Except for some very narrow pockets, there’s not a lot that they have to do to distinguish themselves in the marketplace from other people who are hiring.”* By contrast, tech companies, who face the need for in-demand talent, *“tend to have more progressive positions on equity and stated goals on equitable treatment.”*
- **Regional and sectoral factors.** In certain industries, cultural change is more difficult to achieve. Race and gender demographics vary widely by region, occupation, and industry, as do management and executive representation gaps. For example, women of color are most underrepresented in leadership positions in the retail and healthcare sectors, and men of color face the largest gap in the construction industry. Boards must account for these kinds of geographic and sector variations when assessing progress on DEI goals. Management and leadership representation gaps are smaller for women in construction, mining, energy, and utilities, but this is because overall representation of women in these sectors is so low that having proportionate representation of women in leadership is a low bar.
- **The role of unions.** A highly unionized workforce generates additional complexities, and some contributors suggested that union leadership may not fully support DEI. *“Because such a significant portion of our workforce is represented, this has somewhat muffled that voice of the employee because it goes through their representatives to us, and union representation doesn’t tend to be your most diverse population.”* One contributor noted that the unions that represented the blue-collar, frontline workers in a particular industry *“tend to still be very biased toward primarily White workers,”* which is having a direct impact on the ability to achieve diversity goals in that segment of the workforce. *“We’re abandoning our diverse hire goal as it relates to that segment of the population and making it a blended goal across the entire workforce. In the executive ranks, we are meeting our targets, but in the bargaining units, we’re not.”*



Linking Metrics to the Business

BOARDS SHOULD FOCUS ON METRICS THAT DRIVE THE BUSINESS STRATEGY

Research participants agreed on the value of data-driven approaches to DEI, but we saw significant variation in the sophistication of organizations’ data collection and how they report it to the board. *“Most companies do have a cultural metric, but the devil is in the details. There’s no uniform way to really approach these metrics, so it’s like the Wild West,”* one contributor said.

According to a recent survey, organizations typically conduct one or more of the following types of equity analyses:⁷



Discussions with contributors highlighted a similar range of metrics, and contributors noted that much of this information is coming to boards. For example, one director said, *“We get reporting on what the overall composition of the workforce looks like and the history of how that’s developed and evolved, as well reporting on hiring practices, promotion practices, retention practices, and turnover.”* Another director reported, *“Pay equity, representation at different levels in the organization, and demographics of the high-potential candidates who are staged and ready to move to another level in the organization are all things that we have visibility into at the board.”*

Gaps between management data and board reporting

Nonetheless, there may be gaps between the data that management tracks and the information the board receives. Few directors report receiving diversity information that goes beyond race and gender, even when their executives are analyzing many other factors—for example, age, disability, LGBTQ+ identity, or veteran status. Boards will not want all the information that management teams collect, but, as a contributor said, *“Like most metrics, the person in charge of the metric is trying to do their best to make that metric look good.”* The director recalled an



Like most metrics, the person in charge of the metric is trying to do their best to make that metric look good.”

instance where lack of detail in board reporting obscured important realities. Management claimed significant progress on pay equity and retention based on metrics that showed improvements for “underrepresented minorities.” However, this director pointed out, *“There were a lot of different affinities included in that group, so that doesn’t tell the board anything. You’ve got to break it out: How are we doing with women? How are we doing with Black people? How are we doing with Latinx?”* Management’s response was unsatisfactory: *“They said, ‘We don’t report that at the board level; we report that to management.’ So I said, ‘What is the board supposed to do with this? How are we even supposed to be helpful?’”*

Boards may have to push hard to get more robust reporting. One director described an evolution: *“There was a time when management teams weren’t sharing DEI data even with their boards. We really had to pound our hands on the table to finally get the data. We had to say, ‘You have this data—we’ll take it however you have it. Don’t worry about making it fancy. We’ll ask questions based on the data that you have.’”* The board’s push for more information generated results: *“The data has now been, at least for all of the boards that I’m on, fleshed out, and it is good data. It’s understandable. It speaks to the issues that we’re concerned about. It’s been refined for almost every category that we can think of at this moment in time.”*

Rigorous board reporting that drives action

Overall, participants stressed the value of quantitative, data-driven reporting that tracks key metrics to indicate progress. Characteristics of effective reporting include the following:

- **Granularity.** Boards need enough granularity and detail in DEI data to assess progress and guide decision-making. *“The CHRO reports on overall demographics. We just haven’t gotten too granular or comfortable setting quantitative, measurable objectives,”* a director said. *“If I were measuring it, I’d like to see us being more granular. For example, I would like to see more information on specific leadership roles and the roles that lead to leadership roles.”* Another director described the kind of data the board wants to see to identify opportunity gaps: *“We like to start at the top and work through the CEO succession pool—CEO and senior team—as well as the potential successors for direct reports to the CEO. Then we look at the high-potential staff, and then its overall organization. At the board level, there is not a lot of detail on the broad mass population, but I want to see the demographics of that population. I also want to understand, for those who are high potential, what is their career path and who are the people moving through different career paths.”*
- **Trends and benchmarks.** Effective reporting demonstrates trends as opposed to snapshots in time. Contributors stressed the value of benchmarks. According to one survey, over 80% of companies have conducted diversity benchmarking by comparing demographics to external sources such as US Census data.⁸ In addition, some advocate benchmarking against peer organizations, recognizing that factors such as geography, sector, and size create important variations.
- **Moving past symptoms to uncover root causes.** Contributors emphasized the importance of exposing the drivers of inequities. For instance, one director, noting that pay inequity is in part an *“outcome”* of the performance-assessment process, said, *“I try to dig into that process. If you assess people in a non-equitable way on performance, you can justify pay inequities.”* Another contributor said, *“We realized that there’s a lot of inequities and biases in our performance-management system. Because we recognize that a lot of companies were not looking at the root cause of the disparities and the variances between the distribution of performance ratings by demographics, we wanted to dismantle it and start to rebuild it.”*

There can be tensions between a board’s desire for more information and its capacity to assess that information in a meaningful way. The sheer amount and variety of data can be hard for management teams, let alone boards, to process. *“It can get overwhelming in terms of details that you want,”* a director acknowledged. The critical task is to find the meaningful insights that can guide board oversight and decision-making. One director said, *“I think sometimes the challenge is how to parse through all of that information and really come to some conclusions and pull the insights out of the data, as opposed to just having a mound of information.”*



You should be able to give that macro-level view on one page so the board understands where there's a problem, what's working, and where they can get insight."

Streamlined processes and explicit expectations of board members can help. A director said, *"In our board, we always try to push through the data portion of reports really quickly. All the board members are expected to read the materials before they get to the board meeting, so there's more of a dialogue about, What does this mean, what are the insights, and what are those insights leading us to do about what we've learned? Those are fun discussions to have because you can actually start to try to make an organization better."*

A DEI leader stressed the need for management to provide boards with reports that can drive insight. If a board is struggling to identify actionable insights in DEI data, the leader said, *"that means that that DEI team is not doing their job. My job is to go to the board and say,*

'These are the trends. These are their analysis.' They get all of that in one page, very simply. You should be able to give that macro-level view on one page so the board understands where there's a problem, what's working, and where they can get insight. It's my job to be able to be that person that tells them. The board should not be the ones figuring it out."

Accountability is Essential

GOALS SHOULD BE MEANINGFUL AND ACCOUNTABILITY IS ESSENTIAL

Many organizations need to take a more strategic—as opposed to ad hoc—approach to setting goals and objectives, and contributors agreed on the need to establish targets that are aspirational and meaningful but also achievable. Setting those targets, however, is not an exact science. One director said, *"You want [the organization] to be able to achieve the goals, but you also want the goals to be bold and inspirational. That is where the judgment comes in and the qualitative portion comes in."* Another said, *"We take a look at a snapshot of where we are at today—with no judgment—and we ask, Where do we want to go and how fast? But it isn't as clear cut as, Did we make our sales number yesterday? It's much more involved."* Another director pointed out the challenge of establishing the right pace and time frame for targets: *"How long do we give ourselves to achieve the targets? Generally, five years or less. The target has to be bold enough that you can track progress along the way. Are we on track for hitting this target? And what course correction can we make if we aren't?"*

Once targets are established, accountability and course correction are essential. In one survey, barely half (54%) of human resources and DEI practitioners agreed that there is meaningful accountability at the leadership level for the success of workplace equity initiatives.⁹ A director

encouraged boards to treat DEI targets like financial targets and hold management's feet to the fire: *"Let's say we're in year two of a three-year target, and we aren't making sufficient progress to get to that target by year three. We may have a conversation about whether the targets are too aggressive, but it's highly unlikely for me to start with that conversation. I'm more likely to ask, Why aren't you getting there? If this were a revenue target, you'd figure it out, right? You'd figure out how to get there because that's what you do—so figure this out."*

But boards may need to give management teams space to adjust when initial goals are unrealistic. One director recalled an organization that had set a goal of achieving gender parity in engineering roles by 2030 but realized that it was *"impossible to get there without manufacturing female engineers. If you look at women in STEM [science, technology, engineering, and mathematics disciplines]—the number of engineers—you'd have to do unusual things to achieve 50/50, so we kept that as an aspiration but then wanted to establish a more reasonable goal."*

Boards are exploring how to incorporate DEI measures into executive-performance objectives and incentive compensation. For example, one director who chairs a board compensation committee described how the committee is assessing the percentage of diverse interview slates and establishing specific dollar targets for diverse suppliers as incentive compensation metrics: *"These are not modifiers—they are targets, and those targets have to be hit"* to trigger bonus payouts. Some boards are reluctant to set quantitative targets out of fear that their metrics for DEI and other nonfinancial goals are not robust or solid enough to be meaningful. One director said, *"We didn't want to get the cart before the horse, so there's a constant discussion: do we have the metrics and do we have clarity on what really counts for this company's strategy from an ESG standpoint?"*



If [a DEI goal] were a revenue target, you'd figure it out, right? You'd figure out how to get there because that's what you do—so figure this out."

Transparency as a Catalyst

OPEN COMMUNICATION CAN FOSTER PROGRESS, BUT IT BRINGS RISKS

External and internal disclosures on workplace equity and diversity can be challenging. Regulators and shareholders around the world are pushing for deeper disclosures around a range of human-capital metrics. For example, a third of US workers are or will soon be subject to laws requiring some level of pay transparency.¹⁰ But with transparency comes risk.

Weighing increased transparency



Once we were more transparent, it was a catalyst for more action.”

Contributors acknowledged the need to weigh the benefits of increased transparency against potential reputational, litigation, or competitive risks of expanded disclosure. For some, expanded disclosure can drive accountability and progress. One director said, *“You should be proud of what you’re doing. My boards are all fairly transparent—good, bad, or indifferent. The goals are there, and the progress is there, as it should be. It should be shared, just like your revenue, your profit, etcetera.”* Another contributor pointed out the benefits: *“Once we were more transparent, it was a catalyst for more action.”*

However, several contributors pointed out a range of risks around disclosing diversity metrics, pay equity results, and other data:

- **Reputational.** A contributor pointed to the negative publicity that Citigroup faced in 2019 when it became the first major company to disclose its unadjusted median gender pay gap (measuring the difference in overall median compensation without accounting for job function or level), which stood at 29%. This spawned headlines like “Citigroup says female workers earn almost 30% less than male workers.”¹¹ One participant said that disclosing, while uncomfortable, helped the bank to change. Another noted that other companies may have drawn a different lesson: *“They were the bravest and they got knocked down. There’s a lot of first-mover hesitation.”* Companies are particularly reluctant to disclose forward-looking targets. One contributor said, *“I haven’t seen any time horizons. Most companies are too scared to set a target. They will disclose more of a soft ‘here’s what we are looking into’ aspiration.”*
- **Litigation.** Some contributors acknowledged that a focus on litigation risk hinders transparency and admitted that some companies disclose as little as possible. One said, *“The legal team will often approach these issues from a litigation risk-management perspective. And if that’s the only measure of success or the most important risk to mitigate, it will always drive you to be more opaque, because the more people know the numbers, the more you open yourself up to some sort of challenge.”* Some DEI practitioners acknowledged that they have found themselves at odds with legal teams, pushing them to be more transparent despite these risks.
- **Competition.** A director said, *“Putting my fiduciary duty hat on, we don’t want to have transparency be weaponized against us. We can be analytical, insightful, use data, and should disclose that we do these things. But if we issue a disclosure chart that has specificity and microdata, it could be very damaging. It could be a playbook for competitors to poach talent.”*

- **Political.** Boards acknowledge the growing backlash against DEI efforts and ESG more broadly. *“For boards, it is more difficult to be transparent when a red-state attorney general might have issues with what you are doing. The patchwork nature of what’s happening in the US around what is and is not permissible will have a chilling effect on what companies are willing to disclose. It’s a big issue. Given the political and reputational risk of disclosing, we’ve decided to focus on internal communications,”* one contributor said.

Being strategic about internal communications

Communications with employees are particularly important because they may question the motives behind DEI initiatives or the genuine commitment of leaders and practitioners. Representatives of underrepresented groups may doubt the organization’s sincerity or commitment to advancing equity. According to Gallup research conducted in spring 2022, less than a third of employees surveyed said their organization is committed to improving racial justice or equality in their workplace. This research found a significant gap between the perceptions of leaders and those of rank-and-file employees: 97% of human resources leaders said their organization had made changes that improved DEI, while just 37% of employees strongly agreed.¹²

97%

of human resources leaders said their organization had made changes that improved DEI

37%

of employees strongly agreed

At the same time, those from dominant groups may see workplace-equity efforts as a way to disadvantage them. *“People on either side of the question don’t trust you that you’re going to treat them fairly,”* one contributor said. An organization’s commitment to diversity goals can provoke accusations that diversity will be privileged over qualifications, and tying those goals to compensation can lead to cynicism. A contributor said, *“People can feel that the compensation target being tied to achieving certain representation targets means people are chasing the bonus instead of chasing merit.”* In such an environment, trust is a key to success; the contributor continued, *“The only way that I’ve ever built trust in big corporate transformation is through greater transparency. Transparency engenders trust.”*



People can feel that the compensation target being tied to achieving certain representation targets means people are chasing the bonus instead of chasing merit.”

Poor communication can hamper DEI initiatives. One contributor said, *“There were some missteps in how the company rolled out DEI. The way the CEO talked about DEI sometimes sounded like a quota system. The company would be further along if there had been more strategy around starting this conversation. Once you start off on the wrong foot, people are then just looking for confirmation of their assumptions, which was that this was just a ploy to disempower White men.”*



Looking Ahead

BOARDS NEED STANDARDS FOR OVERSIGHT PRACTICES, REPORTING, AND DISCLOSURE



People need a tool kit. They don't know what questions to ask. It would be great to have well-respected best practices [for board oversight]. There is not enough of an agreement.

Boards continue to wrestle with developing effective oversight practices that help organizations drive meaningful progress on workplace DEI. Board reporting continues to evolve; like other aspects of nonfinancial reporting, it lacks rigor and consistency, and the need for a consistent approach will only grow. One contributor said, *“More and more reporting will be required, and one of the challenges will be, How do we get to a place where there is something close to a common standard?”* Another contributor agreed: *“The way companies are reporting on this stuff is all over the place—the language, the requirements, the definitions.”* Regulators and standard-setting bodies, including the Securities and Exchange Commission and the International Sustainability Standards Board, are exploring how to incorporate human-capital metrics, including those related to DEI, into their reporting frameworks. These efforts start from a conviction that DEI issues are financially material to investment decisions and thus appropriate for standardized disclosure requirements.¹³

Lack of consistency in reporting indicates more fundamental challenges. One contributor identified key concerns: *“What are the set of standards for the work? What are the things that should be in place at every company? When you hit a certain size, do you have someone who leads the work? What should the financial investment be, and what does that mean?”* Boards are seeking benchmarks or standards for accountability and measurement and would like to be able to draw from a standard-setting lexicon and a well-defined toolbox of resources to define and frame their findings, enabling them to move beyond an “opaque and squishy” level of oversight. One contributor said, *“If there was a framework or a handbook on best practices, I’d be interested.”* Another director said, *“People need a tool kit. They don’t know what questions to ask. It would be great to have well-respected best practices [for board oversight]. There is not enough of an agreement.”*

For Further Exploration

Consider the questions below as a helpful starting point for discussions among the board and with management teams about developing a framework for effective governance.

- How is workplace equity defined in your company? Do you feel like you have a shared understanding of terms like equity, diversity, inclusion, and equality, as well as agreement on the organization’s overall goals in this area?
- What diversity and equity goals has your organization established? What do realistic and achievable diversity and equity goals look like for your organization?
- What is the board’s role in establishing workplace equity objectives? How can the board encourage management to take a more strategic and proactive approach to achieving workplace equity?
- How do you track progress toward those goals and ensure accountability?
- How clearly are DEI initiatives and goals linked to business outcomes? How can organizations effectively shift DEI from a ‘cost center’ to a driver of organizational goals?
- How do you assess whether HR leaders and organizations have the resources necessary to carry out workplace equity and diversity initiatives and meet their objectives?
- How does your board find time on its agenda for meaningful discussion to advance these priorities? Does the board depend on a few individuals to maintain attention to these issues?
- What workplace equity analyses data—e.g. representation analysis, diversity benchmarking, promotion and attrition analysis, and pay equity analysis—are coming to the board?
- How often does management conduct pay equity analysis? How often does the board or the relevant committee receive reporting on pay equity and other workplace equity analyses?
- Where are the major gaps in reporting? What information or data does the board need that you are not getting?
- What information is the organization communicating to employees on pay equity/pay gaps? How does senior leadership communicate its approach to remediating pay equity issues and other workplace equity challenges to employees?
- What is currently being reported on the “S” in ESG? What would you like to see companies report on under that rubric?
- Do you disclose data on workplace diversity, pay equity data, or other DEI related data? What is communicated to investors and other external stakeholders? How?
- What are the risks in increased transparency around workplace equity and diversity initiatives? How can these risks be effectively mitigated?

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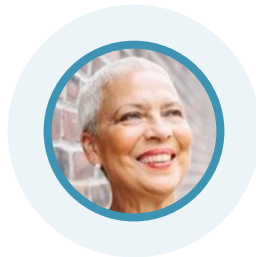
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Endnotes

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Tapestry Networks brings world-class leaders together to tackle complex challenges and promote positive change through the power of connected thinking.



Syndio provides technology and expert guidance that helps companies measure, achieve, and sustain all facets of workplace equity. More than 200 companies, including 30% of Fortune’s Most Admired Companies, rely on Syndio’s Workplace Equity Analytics Platform to close pay and opportunity gaps, mitigate legal risk, and turn DE&I goals into tangible results.