



## Concept note for guide on how to better link diversity and inclusion and corporate sustainability within companies

### Working title:

Diversity & Inclusion: A Key to Corporate Sustainability

### Hypotheses:

Diversity and inclusion (D&I) are seen as key to business success. As one company explains the importance of D & I in their workforce, “For companies to succeed in the global marketplace, they must make the most of the full range of their people. Companies must attract and retain the right skills, the best minds, all the required resources – and that means diversity.”<sup>1</sup> Companies that leverage differences across their organization and invest in inclusion in the workplace, marketplace and community, report significant business benefits. For example, a McKinsey study found that companies with diverse executive boards have higher profits and returns on equity<sup>2</sup>. Similarly, senior executives of top-earning companies reported in a Forbes study that workplace diversity and inclusion drive innovation and business growth<sup>3</sup>. Also, companies that are highly ranked on D&I reported 45% improvement in market share and 70% more success in new markets<sup>4</sup>.

Inclusive value chains that integrate women and minority owned businesses into the supply and distribution chain also yield important business benefits. They broaden the vendor and distributor pool, better reflect the diversity, requirements and needs of customers and markets, strengthen brand recognition, help to embed a company within its community, and contribute to economic empowerment and sustainable development. Diverse suppliers and

### From the 2016 Global Diversity & Inclusion Benchmarks, Diversity Collegium, p. 1:

**Diversity** refers to the variety of similarities and differences among people, including but not limited to: gender, gender identity, ethnicity, race, native or indigenous origin, age, generation, sexual orientation, culture, religion, belief system, marital status, parental status, socio-economic difference, appearance, language and accent, disability, mental health, education, geography, nationality, work style, work experience, job role and function, thinking style, and personality type.

*Inclusion of various diversity dimensions may vary by geography or organization.*

**Inclusion** is a dynamic state of operating in which diversity is leveraged to create a fair, healthy, and high-performing organization or community. An inclusive environment ensures equitable access to resources and opportunities for all. It also enables individuals and groups to feel safe, respected, engaged, motivated, and valued, for who they are and for their contributions toward organizational and societal goals.

<sup>1</sup> <http://www.rbc.com/diversity/why-does-diversity-matter.html>

<sup>2</sup> McKinsey & Company, “Is there a Payoff from Top-Team Diversity?”, McKinsey Quarterly (April 2012) accessed at <http://www.mckinsey.com/business-functions/organization/our-insights/is-there-a-payoff-from-top-team-diversity>.

<sup>3</sup> Forbes, “Global Diversity and Inclusion: Fostering Innovation through a Diverse Workforce”, (July 2011) accessed at [http://images.forbes.com/forbesinsights/StudyPDFs/Innovation\\_Through\\_Diversity.pdf](http://images.forbes.com/forbesinsights/StudyPDFs/Innovation_Through_Diversity.pdf)

<sup>4</sup> Sylvia Ann Hewlett, Melinda Marshall & Laura Sherbin, Tara Gonsalves, “Innovation, Diversity & Market Growth”, Center for Talent Innovation (September 2013).



distributors can also at the cutting edge of building sustainable businesses, products and services.

Are D & I also important to performance on other components of corporate sustainability - defined as long term value creation by a company in economic, social, environmental and ethical terms? D & I is itself an important dimension of social sustainability. More broadly, among other things, corporate sustainability calls for vision, organizational change, improved stakeholder engagement, innovation and new ways of operating that escape the perils of group think and the echo chamber that homogenous groups can fall into.

There is reason to think that embracing D & I more fully in the workplace, marketplace and community could also help a company to advance its corporate sustainability goals. And yet in many companies, D & I are viewed as separate from corporate sustainability and the linkages between them remain underexplored. In some companies, D&I is siloed in a particular function (such as Human Resources or Procurement). In some other companies, D & I spans different functions - human resources, procurement, community relations and/or a foundation - but there is often a lack of communication and coordination between functions. Multinational companies may also struggle to bring D&I commitments and efforts to all countries where the company operates. Some companies that already recognize the business case and D & I case are seeing and acting on these interconnections and have established good practices that could be more widely shared to inspire other companies to take action to leverage D & I for corporate sustainability and corporate sustainability for D & I.

**Objectives:**

- To encourage companies to see the opportunity, benefit and need to make D & I an even greater strategic priority for their company both as an end in itself and as a crucial means to achieve their other corporate sustainability goals.
- To offer concrete guidance and examples based on actual corporate experiences of how more effective linkages are and can be made between D & I and other corporate sustainability efforts.
- To raise awareness of the Sustainable Development Goals (SDGs), including to encourage action in support of SDG 10 on reducing inequality within and among countries.

**Rationale:**

The UN Global Compact would like to see faster and more sustained progress for D & I and corporate sustainability overall. Many more companies are seeing corporate sustainability rise as a strategic issue on their agenda, being promoted by their CEO and even Boards.<sup>5</sup> The

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<sup>5</sup> See, for example, PWC The sustainability agenda: Industry perspectives (2008): [http://download.pwc.com/ie/pubs/sustainability\\_agenda.pdf](http://download.pwc.com/ie/pubs/sustainability_agenda.pdf); McKinsey & Co, Sustainability's Strategic Worth: McKinsey Survey Results (2014): <http://www.mckinsey.com/business-functions/sustainability-and-resource-productivity/our-insights/sustainabilitys-strategic-worth-mckinsey-global-survey-results>



adoption of the Sustainable Development Goals in September 2015, a process to which many companies contributed alongside other societal actors, places even more emphasis on sustainability. New and different approaches are being called for to help companies to make the transition to more sustainable business models and more inclusive workplaces, marketplaces and community activities. Leveraging the benefits that D & I brings is going to be key, we believe, in achieving the innovation and transformation that will be needed.

**Methodology:**

The guide would be prepared based on interviews of mostly in house D & I personnel from across sectors and geographies, interviews of some corporate sustainability personnel, and some desk research to show to sustainability personnel how their objectives are also likely to be more readily achieved if D & I is more fully embraced and mainstreamed as a strategic priority across their firm’s workplace, marketplace and community.

**Style and format:**

The guide would be based on real life experiences within companies gleaned from interviews and is intended to be practical providing examples of good practice. It will also feature recommendations on how companies can create linkages between D & I and corporate sustainability, and the broader sustainability agenda.