

# DEI Principles and Best Practices for Business

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As Adopted by the SCLC Board of Directors: February 10, 2021

## Business Benefits of Diversity, Equity, and Inclusion (DEI) in the Workplace

A diverse, equitable, and inclusive organization is a one that maintains a positive workplace culture where all voices are heard and respected. Through representation, organizations foster a socially- and morally adept workplace. These are wins in and of themselves. Workforce DEI can also benefit an organization's bottom line by creating a competitive advantage in many ways.<sup>1</sup>

Here are some of the benefits of a diverse, equitable, and inclusive workforce:

- **Bolsters financial performance.** A [study conducted by McKinsey & Company](#) found that the companies with the most ethnic diversity on their executive leadership teams are 36% more likely to financially outperform their industries than less diverse companies. Similarly, the most diverse companies in terms of women's representation are 25% more likely to outperform their competition.<sup>2</sup>
- **Highlights your organization as an employer of choice.** According to [Glassdoor](#), 67% of job seekers view a diverse workforce as an important factor when evaluating companies and considering job offers.<sup>3</sup>
- **Fosters innovation and growth.** [Harvard Business Review](#) found that diverse companies are 70% likelier to capture a new market. They're also 45% more likely to report increased market share year-over-year.<sup>4</sup>
- **Increases employee engagement.** [83% of millennials](#) report being actively engaged when they believe their organization fosters an inclusive workplace culture. That percentage drops to 60% when their organization does not foster an inclusive culture. (A Gallup study has assessed the cost of disengaged employees at up to \$350 billion per year in lost productivity.)<sup>1</sup>
- **Supports powerful decision-making.** Teams that are inclusive make better decisions up to 87% of the time, according to a [study conducted by Forbes](#).<sup>1</sup>

Diverse, equitable, and inclusive workplaces are only going to take on greater importance as younger generations – including millennials and Generation Z – become the dominant groups within the workforce. These demographics are set to be more culturally diverse than ever before, and are motivated by values, purpose, and experience. Organizations that [prioritize DEI values](#) now will rise to the top for future generations of talent.<sup>1</sup>

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<sup>1</sup> *How to build the business case for your DEI strategy*; Qualtrics.com, October 2020

<sup>2</sup> *Diversity wins: How inclusion matters*, McKinsey & Company, May 2020

<sup>3</sup> *What Job Seekers Really Think About Your Diversity and Inclusion Stats*, Glassdoor, November 2014

<sup>4</sup> *How Diversity Can Drive Innovation*, Harvard Business Review, December 2013

For California businesses, there are added reasons for making diversity, equity, and inclusion a business imperative. In particular, those businesses located in and serving Southern California know that they are in the heart of one of the most ethnically and culturally diverse regions in the world. Thus, it is a region with a heightened awareness of DEI and a higher expectation that DEI principals and ethics are ingrained into the government entities and businesses that serve Southern Californians.

## A Call to Action on DEI

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Many businesses in California, and especially Southern California, desire to develop a more diverse, inclusive, and equitable organization that is reflective of the broad communities which they serve. Whether this call to action is born out of a passion for the cause, a belief that their company can have a positive impact, or an understanding of the many benefits that come to businesses that effectively implement DEI, many companies simply don't know where to start. To assist those businesses in successfully implementing and integrating DEI within their organization's structure and culture, below are a recommended set of initial Business Principles and a similar set of Best Practices. Businesses can easily adopt these in their entirety or use them as a model and customize them further to fit their individual company's needs and culture. At a minimum, they are meant to help businesses get started, engage effectively, and answer the call to action on this important issue.

## Suggested Business Principles on DEI in the Workplace

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SCLC recommends that businesses consider adopting and embracing the following set of principles that articulate the rationale and purpose behind their commitment to DEI. These can be adopted as-is or can be customized to better reflect your business' particular needs.

- **We believe** that diversity, equity, and inclusion should be actively cultivated and celebrated at our organization. Our many backgrounds, perspectives, identities, cultures, languages, and orientations shape who we are and what we aim to achieve.<sup>5</sup>
- **We know** that the contributions of our community of diverse people and perspectives are central to our organization's mission and enhances our ability to effectively understand and serve our customers and clients (especially in Southern California). We seek to understand and leverage the insights and experiences that make our stories different. Diversity of thought and background contributes to broadening the range of our approaches, enables our openness to meaningful innovation, and provides a wealth of other opportunities in all areas.
- **We support** the inclusion of all relevant types of diversity within our organization and actively foster an environment of belonging, support, equity, inclusion, and appreciation for multivariate diversity within our employee community.

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<sup>5</sup> Diversity, University of Michigan Institute for Social Research, June 2018

- **We aspire** to be an organization that develops individuals who make a positive difference in an increasingly interconnected, multicultural world. As a diverse, equitable, and inclusive organization, we are better able to foster an environment in which all members are inspired to excel.<sup>6</sup>
- **We empower** individuals by providing employment opportunities which offer them a pathway to professional development, personal growth, and career advancement, all of which ultimately impact our employees' level of economic opportunity, personal prosperity, and financial security. This is a responsibility we take very seriously. Our organization is committed to creating the conditions of equal opportunity, equal access, and inclusion in which each of our employees has the resources to thrive professionally and personally.
- **We lead** with respect and kindness knowing that they are non-negotiable. As leaders we commit to never being neutral on inequity or human rights. We understand the importance of leading by example and constantly strive to be the change we want to see.<sup>7</sup> As leaders, we are comfortable setting goals bold enough that there is a risk of failure, because that is often what is needed to affect positive change.
- **We commit** to pursuing deliberate efforts to ensure that our organization is a place where differences are valued, welcomed, & needed, and where perspectives are respectfully heard. We will support these guiding principles in all aspects of our environment including recruiting, hiring, developing, and retaining employees. We will hold ourselves accountable, and the organization will take measures to provide the resources to promote success in the strategies of diversity, equity, and inclusion.<sup>6</sup>

[Acknowledgement: The above principles were primarily derived from excellent work done by the University of Michigan Institute for Social Research and have been modified to reflect the needs of Southern California business organizations.]

## Suggested Best Practices for Fostering DEI in the Workplace

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Recognizing that workforce DEI gives your organization a competitive advantage, and that it is the right thing to do for a variety of societal and ethical reasons, below are some potential action steps or best practices for implementing DEI within your business.

- **Do research on DEI and related issues:** Utilizing the internet and other resources, there is plenty of information readily available today that will allow you to learn the history, background, and context of DEI and related topics. It is important for the leadership and management within a business do their research and educate themselves before engaging on DEI.

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<sup>6</sup> *Diversity*, University of Michigan Institute for Social Research, June 2018

<sup>7</sup> *DEI Manifesto + Guiding Principles*, GMR Marketing, n.d.

- **Analyze your internal data:** This step may be essential to understanding where your business is in terms of key metrics. This will require collecting and analyzing your workforce and employment data from within your company to assess the demographics of your organization, including your leadership team. Once you have the data, you can set benchmarks and metrics for the DEI goals you want to achieve.<sup>8</sup>
- **Set measurable goals and maintain accountability:** As with any business goal, it is important to set them in a way that has strong support and buy-in from company leaders and staff. Likewise, once measurable goals are established, you must track progress using key metrics such as demographics related to who you hire, and composition of your workforce. Businesses that set measurable targets and hold company leaders and key staff accountable will be more successful in fostering a diverse, equitable, and inclusive workforce.

*Another way organizations hold themselves accountable to measuring DEI progress is by tying measurable outcomes to compensation – especially for those in leadership, but also to the overall bonus pool. Microsoft, as an example, has said that bonuses for their entire company will be tied to successfully achieving their diversity metrics.<sup>8</sup>*

- **Make the Business Case for DEI:** Evaluate the return on investment (ROI) and other direct benefits that will specifically accrue to your company if you successfully implement DEI within your organization. The more specific business benefits that are identified the better, as long as they can be properly quantified and tracked analytically. For example, benefits such as increases in profitability, sales, market share, productivity, employee retention and many others are all quantifiable and trackable. By doing this you can build your business case for DEI around high-level data that points directly to ROI.
- **Tie your DEI strategy to other key initiatives where appropriate:** Demonstrate how a DEI strategy will support or strengthen other key HR or business initiatives of the company, such as employee retention or capturing a new market.<sup>9</sup>
- **Review company hiring practices:** Look at your company’s talent pipeline and the strategies your talent acquisition team uses to attract and recruit new employees. Be strategic about where you are posting open positions. Go beyond homogeneous networks to tap into diverse talent pipelines you might have previously ignored and/or didn’t realize existed. For some demographics, you have to be proactive with your search strategies by posting on certain websites, advertising in specific publications, or doing direct outreach and recruitment through dedicated organizations.<sup>9</sup>
- **Consider “culture contribution” in hiring:** Conventional advice says to hire for culture fit, but progressive companies up the hiring ante by recruiting new employees for culture contribution.

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<sup>8</sup> *The ultimate guide to DEI in the workplace: 12 steps every organization should take;* Qualtrics.com, n.d.

<sup>9</sup> *How to build the business case for your DEI strategy;* Qualtrics.com, October 2020

That means, hiring employees that not only align to your company's values, but also bring diverse experiences and backgrounds to the table, too.<sup>10</sup>

“In tech, we often hire for culture fit. Instead, we should hire for culture contribution. We need to think differently and ask ourselves: ‘What does this new hire bring to my team that I don’t already have; what skills, background, and perspectives?’” – Judith Williams, Global Head of People Sustainability & Chief Diversity and Inclusion Officer at SAP<sup>10</sup>

- **Make DEI part of your company's DNA:** Just like your corporate values, put your company's diversity, equity, and inclusion mission statement in writing.<sup>10</sup> Then be sure to integrate DEI into staff training, new employee orientation, and other business practices. However, this can't be a one-time effort. There should be regular and ongoing DEI programs such as annual training and/or certification courses so that DEI becomes part of your company's culture and DNA.
- **Institute intentional (and extended) onboarding programs:** More than ever, onboarding needs to extend beyond a new employee's first week. Build onboarding programs that provide ongoing support for at least six months, or even the first year, to ensure new employees are set up for success.<sup>10</sup>
- **Consider both mentorship and sponsorship programs within your company:** Mentorship programs offer an excellent complement to new employee onboarding and recruitment. Mentorship also can be used to enhance existing internship and educational outreach programs targeting underrepresented groups. Likewise, sponsorship programs are designed to give employees from disadvantaged or underrepresented communities an ongoing relationship with a company leader or manager who is there to support their career and professional development over the long-term.
- **Open up lines of communication:** Leadership roundtables, always-on feedback mechanisms, and communications platforms enable employees to share their experiences and contribute their ideas.<sup>10</sup> Remember, communication in this case often means doing more listening than speaking. That said, it is important that employees regularly hear from company leadership and management regarding the company's DEI goals, purpose, and progress. This type of communication is especially important for those employees who represent the very diversity you are trying to grow within the company.
- **Foster a culture where it's okay to speak up:** We all have blind spots. Encourage employees to voice their thoughts and concerns to help move the organization forward.<sup>10</sup> A company that promotes a culture of open, honest, and candid feedback to the highest levels of leadership and

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<sup>10</sup> *The ultimate guide to DEI in the workplace: 12 steps every organization should take*; Qualtrics.com, n.d.

management within the organization, is one better equipped to successfully implement DEI (and one that is aware of other business and operational issues before they become problems).

- **Focus on sustainable change:** Achieving equality is a continuous struggle. Prioritize iterative and stable progress over long periods of time. In fast-moving corporate contexts, it's easy to prioritize short-term fixes that may potentially cause harm later. Real change requires many smaller adjustments, sustained over a long period of time. Recognize that multiple cumulative changes will have a snowball effect, impacting other components of the organization's system, either positively or negatively.<sup>11</sup>

[Acknowledgement: The above best practices were primarily derived from excellent work done by Qualtrics and have been modified to reflect the needs of Southern California business organizations.]

With the current state of the world, there has never been a more clear need for organizations to take sustained action. Business leaders are uniquely positioned to articulate the competitive advantage workforce diversity, equity, and inclusion creates – and translate those benefits into a DEI program that drives better business outcomes.<sup>11</sup>

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<sup>11</sup> *How to build the business case for your DEI strategy*; Qualtrics.com, October 2020

## SCLC Member Companies DEI Practices

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Below are some examples of SCLC Member companies and the DEI goals and actions they have implemented within their own organization. Please note, this is not an exhaustive list of all SCLC Members, nor is it an exhaustive list of the goals and actions of the companies highlighted below:

**Multiple actions including:**

- Visible support for “We Stand Against Racism” from top leadership
- Mandatory training including Anti-Racism Training and Unconscious Bias workshops
- Set public goals for total number of African Americans and separately Hispanic colleagues by 2025, and double number of Black and Hispanic leadership colleagues by 2025
- Additional training to help people speak up about and recognize racism behavior
- Compensation equality review (ongoing)



**“Pathway to Success” Mentorship Program briefly outlined below:**

- Implementation of mentorship program to “develop employable individuals from economically neglected or disadvantaged areas into valuable and successful employees for Cordoba Corporation and other participating firms”
- 18-month program from recruitment to permanent job offer
- Mission is “To create an environment of support and growth that will open professional opportunities at Cordoba and other firms for talented individuals searching for career advancement.”



CORDOBA CORPORATION

**10 Actions (June 12, 2020), including:**

- “Double our Black leadership and hiring of Black colleagues in our firm over the next four years”
- “Create a firmwide day of service dedicated to understanding racial injustice and giving back to our communities. On that day, we will recognize those who exemplify anti-racism and inclusion”
- “We will found a Black economic institute to translate insights into practical tools to enable our clients to advance Black economic empowerment and racial equity in the U.S. and beyond”

**Significant research and publishing** on diversity and inclusion topics



**Diversity, Equity and Inclusion report (August 2020) including:**

- Statistics on diversity including executive, leadership levels and comparison with labor force
- Sentiment survey outputs including areas of improvement
- Specific actions including talent accelerator and audit of potential bias



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[Acknowledgement: The SCLC Member company information provided above was derived from various presentations to the SCLC Board and DEI Subcommittee.]

## Resources

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Southern California Leadership Council DEI Subcommittee Meetings, November 20, 2020 and December 17, 2020

Southern California Leadership Council Quarterly Board Meetings, July 29, 2020 and October 7, 2020

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