How Companies Should Set — and Report — DEI Goals

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Can setting workforce diversity goals and posting progress reports help companies move the needle on diversity? This approach has spread like wildfire in the last two years. It’s too soon to tell whether the new fad is working, so we turned to past experience of firms that set goals and posted progress as early as the 1970s. That experience suggests that when done right, goals and regular progress reports can boost diversity even among management jobs.

The current wave of posting workforce diversity data began in the early 2010s, with a group of tech firms. Then, in 2020, prompted by the resurgence of the Black Lives Matter movement in the wake of the murder of George Floyd, and by growing shareholder pressure to disclose diversity numbers, firms across the economy began to set goals and post data. By September 2021, 55% of Russell 1,000 companies had posted workforce gender, race, and ethnicity data, up from 32% in January. By then, more than 70 big companies had set public gender-diversity targets for 2025 or 2030, including Airbnb, Bank of America, Bloomberg, Coca-Cola, GE, Intel, McKinsey, TaskRabbit, and Xerox.

It’s not a given that all of this goal setting and progress reporting will help firms to diversify their workforces. For data reporting and goals to be effective, they must be detailed to create transparency; shared with insiders and the public to induce accountability; and accompanied by action plans to promote change. When companies have followed these principles, they've seen notable increases in women and people of color in management.

But not all companies are using the strategies that work. Many don't use detailed data. While more than half of Russell 1,000 companies were reporting data by September 2021 less than one in 10 — among them Ford Motors, Allstate, CVS, Colgate Palmolive, Intel, Lowe's, Lyft, and UPS — was reporting the detailed EEO-1 data that they prepare for Washington, which are broken down by gender, race, and ethnicity for 10 job categories. The reports that companies provide for public consumption, moreover, elide key information, by lumping together all non-white employees, workplaces, or jobs. Companies that do this aren't maximizing awareness and accountability, which are prerequisites for effecting change.

Coming Clean About the Numbers

Consider the case of Nike, the world's biggest footwear company. In its 2021 Impact Report, Nike reported that its workforce in 2020 was 49.5% women, and it announced a goal of reaching 50% by 2025. Director-level leaders were 42.4% women, and the target was 45%. That feels promising, because those goals seem within reach. But the numbers on women in Nike's workforce are not broken down by race or country, much less workplace, and without those numbers, it's impossible to know if, for example, women are only entering lower-paying locations and positions. So we've got a situation in which awareness is partial, accountability is weak, and change will be difficult to assess.

The Nike report, like many others, also collapses people of color into one group, further sapping the power of transparency to promote change. Nike reported that 27% of its U.S. leaders were nonwhite in 2020, and it set a 2025 goal of 30%. But the underlying numbers, posted in the appendix, told a less sanguine story. Only 6% of leaders are Black and 6% are Latinx, compared with a population that is 13% Black and 18% Latinx. When companies paper over the severity of the problem in this way, they foster complacency, which is the opposite of accountability and the enemy of change.

Many more firms collect detailed data than actually share them. Today, all medium and large employers have to report data every year to Washington on the composition of their workforce, and federal contractors have to set goals. Firms have these data, but in most cases only a handful of executives and federal regulators see them, because by statute they are confidential. In such firms, diversity managers tell us these numbers are "tucked away in a drawer."

Coming clean about the numbers makes it possible for a firm's prospective employees, investors, customers, and, most important, its own managers to know how things are going. Thus, after some restructuring in 2015, Microsoft was able to detect a decline in the numbers of women it had in its management ranks. Because the company reports its numbers by business unit, it easily traced the decline to downsizing at Nokia, which Microsoft had recently acquired and which had had lots of women leaders. The company was also able to figure out why it had seen an increase in women managers a couple of years earlier — the increase coincided with its purchase of Nokia, with its many women managers, and was not a harbinger of wider improvements in gender equity.

Diversity managers we interviewed told us that sharing the numbers helped them to get individual managers on board. The diversity chief at a Georgia food firm told us that the area surrounding its headquarters has a diverse, highly educated population, and that managers at the company need to know when its workforce demographics don't match the local demographics. Monthly metrics allow her to see when and where the firm is losing ground — when, for instance, managers are neglecting large pools of Black professionals in the area — and get out in front of the problem.

Sharing data with the public also turbo charges accountability. Research that we've conducted with Carly Knight has shown that when pressured to improve their diversity, companies make changes where the public is inclined to notice them and avoid changes where it's not.

Firms that use data to draw up action plans can ensure that awareness and accountability are channeled productively. In doing so, managers can shape diversity strategies for employees at different career stages. An HR manager from a San Francisco–based beverage company explained to us how they share diversity numbers and goals with their recruiting staff, and regularly reevaluate where and how they post job announcements, "to ensure that we are equally representing every diverse or protected class that we have."

When it comes to layoffs, firms can easily lose ground if they don't look at the numbers. One manager described to us how scrutinizing data helped his team to see where layoffs might turn back the clock on diversity. "We were pretty careful to do adverse impact studies with every layoff," he said. "For example, when I was eliminating 26 engineering positions — okay, let me make sure that I am not just automatically wiping out every female we hired in the last five years."

The Way Forward

How do we know that transparency, accountability, and strategies for change can make goals effective? Because in the 1970s, nudged by federal guidelines, many big firms tried these approaches, and they worked. For transparency, detailed annual progress reports specified how each workplace was doing for each group in each broad job category; for manager accountability, reports were shared across the firm; and for planning, goals were specific and pegged to the relevant labor market, and hiring and promotion strategies were spelled out by job level and group.

While it's too early to know whether recent converts to the approach of data disclosure and goal setting will see progress, data from the past experience of big firms suggest that this is a promising approach. The U.C. Berkeley economist Jonathan Leonard has found that federal contractors — which reported workforce diversity in detail, set detailed goals and timetables for change, and spelled out action plans — saw rapid change in the 1970s. Those firms increased the representation of Black men, Black women, other minority men, and other minority women, significantly faster than their peers who had no affirmative-action plans.

We've done research on hundreds of firms that have written plans with goals, either because they were federal contractors or because they wished to move the needle on diversity. Looking at firms that did so between 1971 and 2002, we ran statistical analyses that in effect compared these firms to themselves, before and after they set goals, and we found small but significant gains. Compared to where they would have been without having set goals, firms that set goals saw increases during a seven-year timeframe that ranged from 3% to 8% for white and Latinx women, and Black, Latinx, and Asian American men. Additionally, one of us (Alexandra), after studying 300 firms that downsized, found that those that did not look at the numbers and share them with their managers lost 12% of their white women managers, whereas firms that looked at numbers avoided those losses.

All of those changes predate the new wave of public goal setting and result reporting, so we have a chance to make considerably more progress, assuming firms can get these things right.

Finally, it's worth noting that many firms are now collecting data on groups that have previously been ignored, including LGBTQ workers, people with disabilities, members of religious minority groups, and older workers. Since 2006, for example, IBM has invited LGBTQ+ employees to self-identify in their human-resources record, which only selected people have access to, and today employees in 40 countries, covering almost 90% of IBM's workforce, can voluntarily identify. Going forward, IBM and companies that are similarly expanding their focus will be able to track trends and set goals for more people and groups than ever before.

The lesson in all of this is clear: Reporting and sharing detailed data, setting detailed goals, and spelling out action plans can help firms to promote, and sustain, workforce diversity. And the more companies there are that do it right, the more there will be that join in.