

MITRATECH

# Diversity, Equity & Inclusion: Empowering Organizational Transformation

A comprehensive guide to developing, implementing,  
and sustaining DEI today and in the future.



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About Mitrtech

# 01 Diversity, Equity, and Inclusion: An Overview

## What is DEI?

**Diversity** is the understanding and acceptance of differences within a setting. That might include differences in race, ethnicity, gender identity, sexual orientation, age, religious beliefs, special needs, or socioeconomic class in the workplace. **Equity** is the act of ensuring that processes and programs are fair and impartial for all individuals. Finally, **inclusion** ensures that all employees feel comfortable and have a sense of belonging in their workplace; an inclusive work environment should be supportive, collaborative, and respectful towards everyone.

Diversity, equity, and inclusion make up more than just a “*movement du jour*” in business. Instead, they’re part of a groundbreaking societal (and regulatory) transformation that will permanently affect corporate culture and operations. Once a relatively overlooked consideration, research and surveys show that diversity, equity, and inclusion hold a number of important benefits to organizations and their employees.



Here are some very real advantages of incorporating DEI initiatives on a company-wide basis that a modern enterprise can no longer afford to ignore.

## Advantages of implementing DEI initiatives

### Recruit top talent

As more organizations adopt new and varied diversity, equity, and inclusion initiatives, it's becoming increasingly common for employees to take DEI into consideration when looking at their next career moves. As your reputation grows, your commitment to DEI will reap long-term benefits by attracting and retaining top talent.

As Forbes found in [this study on Global Diversity and Inclusion](#), “A diverse and inclusive workforce is crucial for companies that want to attract and retain top talent. Competition for talent is fierce in today’s global economy, so companies need to have plans in place to recruit, develop, and retain a diverse workforce.”

As more organizations adopt new DEI initiatives, job seekers consider the diverse environment that a potential employer offers. According to [Glassdoor](#), a whopping 67% of job seekers consider workplace diversity an important factor when considering employment opportunities. So



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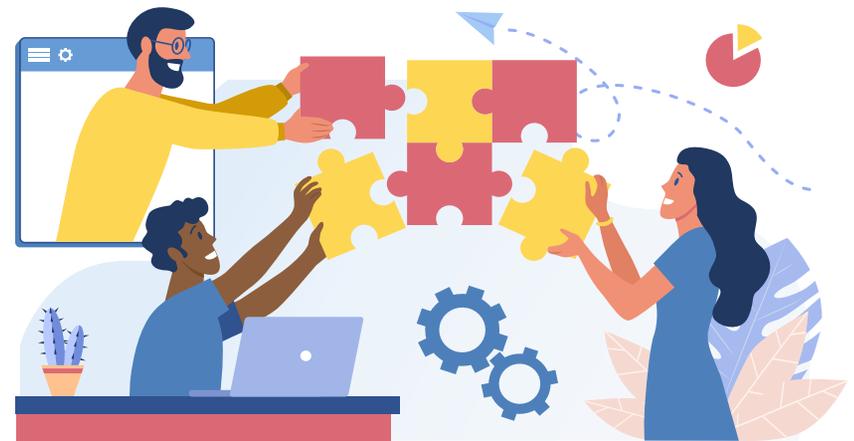
it's definitely worth the effort; neglecting the proper DEI considerations could actually hurt your chances of recruiting top candidates.

In a similar vein, by actively seeking to add diversity to your workforce, you are searching within a wider talent pool – which promises a greater range of skills and perspectives across the board.

### Happier employees

According to [Laura Wronski](#), a research science manager at SurveyMonkey, “Workers who are satisfied with their company’s efforts on [DEI] issues are actually happier with their jobs. They are more likely than others to say that they have good opportunities to advance their careers, and they are more likely to feel like they are paid well for the work they do.” Of course, employees who feel valued are happier, making them more productive and making your organization more likely to retain them.

According to [Social Work Today](#), “The more diverse a company’s workforce is, the more loyal, happy and productive its employees tend to be, according to a new study led by a Ryerson University professor.”



On the other hand, according to the [Harvard Business Review](#), employees who perceived bias in their workplace were more likely to disengage and leave their jobs.

### Increased profitability

According to '[Diversity wins: How inclusion matters](#)', a 2019 report conducted by McKinsey & Company, "The most diverse companies are now more likely than ever to outperform less diverse peers on profitability". In fact, a [study](#) of over 500 companies found that every 1% increase in just gender and racial diversity correlates with a 3% to 9% increase in sales revenue.

Yet [another study](#), conducted in partnership with The Society for Human Research Management, found that companies that showcase gender and ethnic diversity are, respectively, 15% and 35% more likely to outperform less diverse peers.

The list of studies goes on, but DEI seems to have a notable impact on performance when implemented correctly.



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## Better customer and vendor relationships

As your team becomes more diversified and inclusive, you'll find the advantages extend to your customer and third-party vendor relationships, too. The more diverse your team is in gender, race, experiences, and attitudes, the more opportunities for relationship-building you'll see with different types of clients and vendors.

According to this [study](#) by Quantum Workplace, roughly 48% of employees believe that respect is the most essential factor for a culture of inclusion. Happy, satisfied employees who understand the importance of inclusion can better understand and serve clients, as they value differences in culture and perspectives.

## Drive innovation (and employee engagement)

The link between DEI and a perceived culture of innovation has been proven through extensive research. According to [Deloitte](#), 74% of millennials believe their organization fosters innovation when an inclusive culture exists.

This has been proven in several studies. For example, [Harvard Business Review](#) found that companies with higher-than-average diversity had 19% higher innovation revenues. Need we go on?



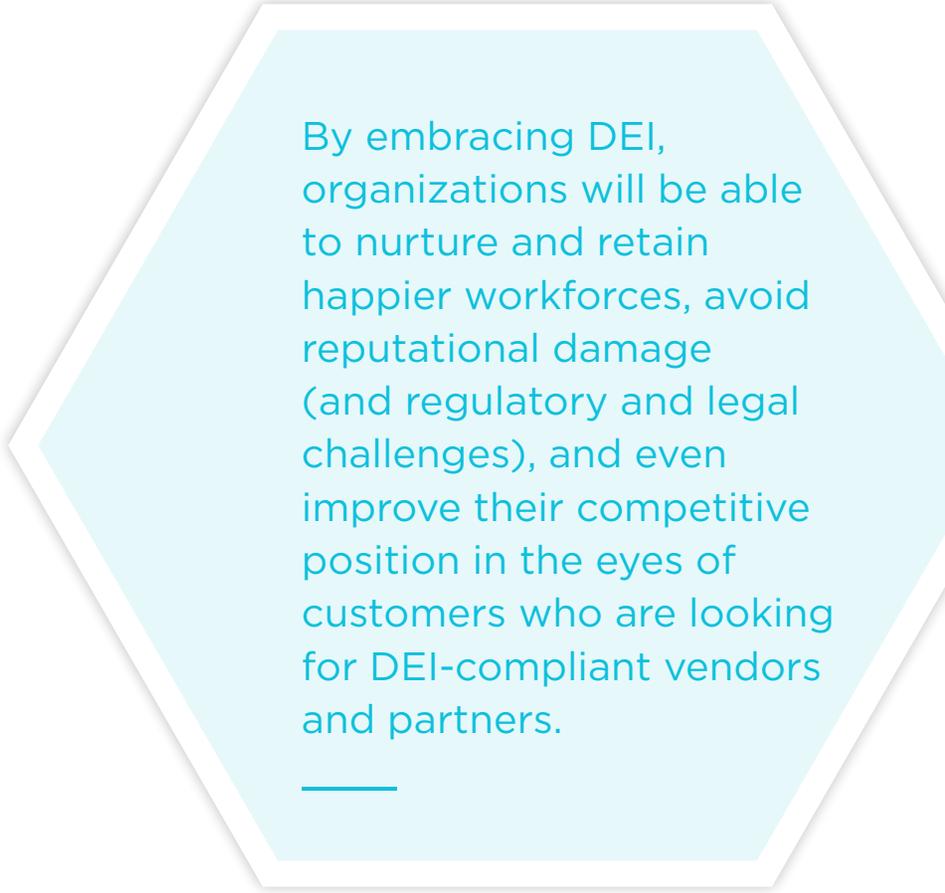
### **DEI is driving more hiring (and job seeker interest)**

Being actively engaged with DEI and associated compliance needs mandates that corporations create new positions within their organizations. In fact, according to Glassdoor, the hiring demand for DEI roles in the U.K. increased by 106% between 2018 and 2019.

This was matched by an increase in job seeker interest too, with searches up 35% in the U.S. and 19% in the U.K. during the same period.

The net-net of all of the above? By embracing DEI, organizations will be able to nurture and retain happier workforces, avoid reputational damage (and regulatory and legal challenges), and even improve their competitive position in the eyes of customers who are looking for DEI-compliant vendors and partners.

So, where do you begin?



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## 02 Defining Meaningful Diversity & Inclusion Metrics

Shockingly, a mere 23% of HR professionals believe their D&I programs are highly effective. So how do you know if your DEI program is effective? Is it inclusive enough? Diverse enough?

Achieving your DEI objectives requires the same type of strategic planning and management as you would regularly deploy to reach goals in sales or budgeting. As with any other initiative undertaken by your company, there needs to be an effective method in place to measure metrics and assess the progress of your diversity and inclusion program.

It's the only way to understand if your initiatives are rewarding the effort you're putting into them.

Some of these may be much easier to measure than others. For instance, collecting information around gender, age, and race demographics can be fairly straightforward. However, other types, such as LGBTQ+ or people with disabilities, can be more difficult.



If you already have a DEI strategy in place, you can pull benchmark goals directly from it. Your metrics will then be based on the goals you select; ideally, choose metrics that can be tied to milestones. Over time these metrics may be tweaked to reflect updated goals as your company and DEI strategy evolve.

## Examples of KPIs

- **Initiative-focused**

Initiative-focused metrics may be the simplest to track for your organization. Unlike some of the other KPIs, they are based on numbers. Some metrics you could use would be the percentage of gender-neutral bathrooms in your physical workspace, or demographic data such as the percentage of employees that identify as a certain gender.

- **Demographic-based**

These may be easily measurable metrics, as they are commonly asked. Demographics such as age, gender identity, physical accessibility needs, nationality, and racial identity, for instance, are common information to ask an individual to provide. However, these should not be the only diversity KPIs you measure.



Achieving your DEI objectives requires the same type of strategic planning and management as you would regularly deploy to reach goals in sales or budgeting.

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One of the challenges of these metrics is that you cannot legally require an employee to disclose much of this self-identification information. Usually, a “prefer not to disclose” option should be provided for each of these questions, and while this should help employees feel more comfortable with answering your surveys, it also means you may not get the level of insight you hoped to.

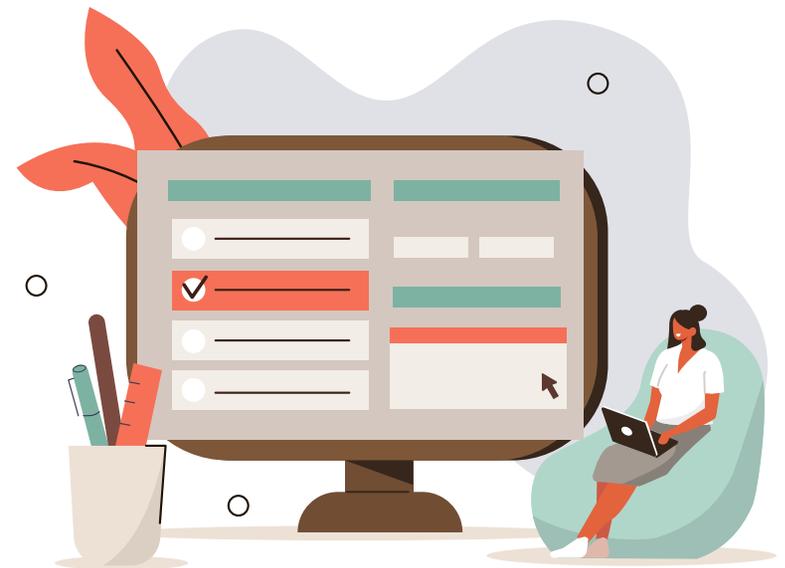
However, using demographic DEI metrics in addition to some of the other methods listed here would help you with your analysis.

- **Ranked method**

Ranked method statements are single statements that allow respondents to answer on a scale of 1 to 5. The range, from ‘strongly disagree’ to ‘strongly agree’, allows an organization to gauge how employees feel on specific subjects. These can be used together with the methods listed above for a better understanding of your DEI metrics.

Examples that can be used for this metric include:

- » I have opportunities to grow here
- » I can share my opinions without fearing repercussions
- » I believe management respects employees equally



- **Company-wide**

These metrics help illuminate the impact that your DEI initiatives are having on your organization. They can be looked at alone but should also be connected to the other data that you glean from using the above methods.

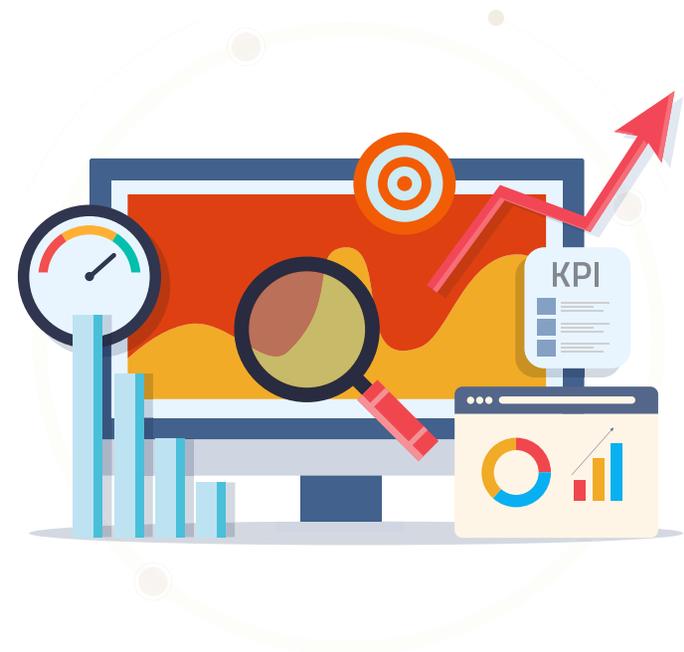
Some metrics to use under this umbrella include overall sales growth as it corresponds to increases in diversity, brand sentiment as your DEI programs may influence the public opinion, and revenue by employee as it corresponds to demographic diversity. Still, be sure to consider the correlation closely - while diversity and inclusion may not be the sole reason for revenue increase, it may be a contributing factor.

- **Outside-of-company metrics**

These help you incorporate more data with fairly crucial information on vendor diversity (or supplier diversity) and average demographics in your local community.

- **Correlational metrics**

Once you've collected all the data, it's time to measure it against correlational metrics to understand your information. Some



correlational metrics include:

- » Promotion rates
- » Employment status
- » Department representations
- » Pay rates

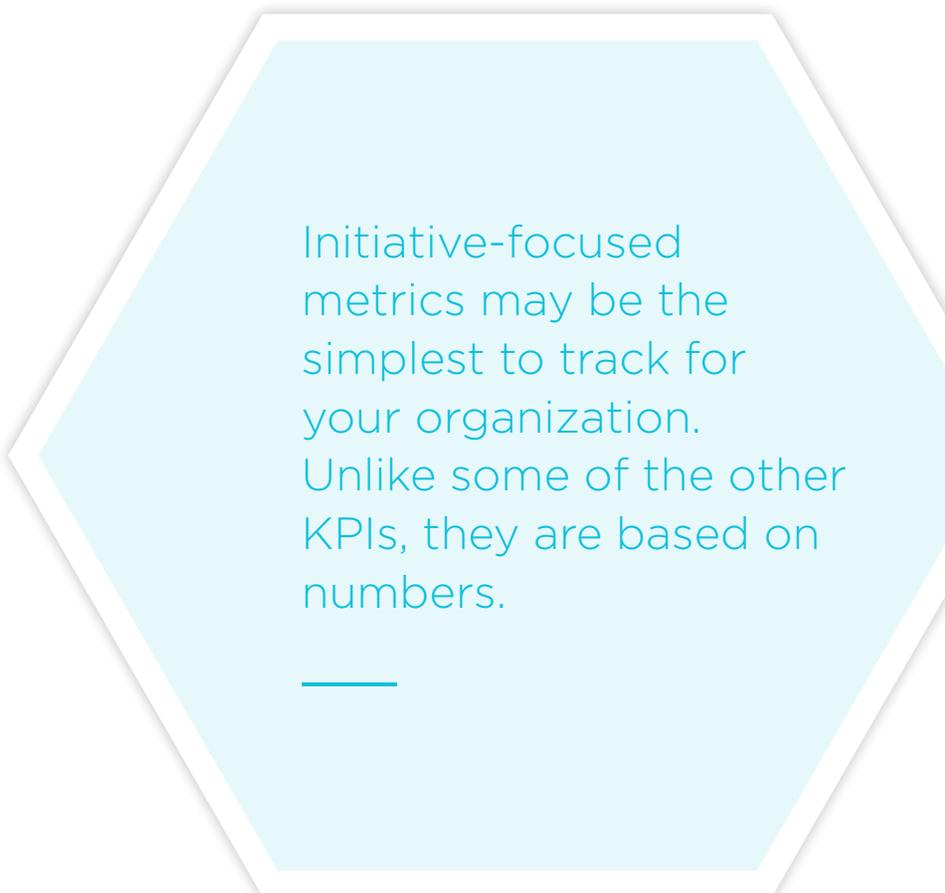
## How to set meaningful diversity KPIs

### Choose parameters

Your DEI metrics should be relevant to the local community. Targeting the wrong problems can result in a loss of valuable time and money. To be effective, you need to be willing to adapt and tweak metrics as needed. Setting the right parameters and metrics necessitates dialogue with local business leaders and employees as it requires a deep understanding of your local community and local challenges.

### Review data policies

With changing policies, it's crucial to make sure that you have (or don't require) consent to gather an individual's sensitive information.



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Organizations must also review their data policies to ensure that any information voluntarily disclosed is stored in a way that obscures identifying data (for instance, making sure that IP addresses are not stored with data).

### Select metrics for diagnosis, tracking progress, and ROI

These are three separate but equally important areas that need to be addressed:

- **Metrics for diagnosis** help you identify blind spots in your organization; for instance, representation. While you may have equal gender representation in your company overall, you may find that men fill more leadership positions and women more administrative roles.
- Once you identify risk areas, it's time to work out the **metrics to track progress**. The diagnosis measurement may act as your baseline, and then you can track improvements on that.
- It's imperative that you have metrics set up to track your DEI initiatives' success in **improving your organization's performance**. Many times, this is quantified as increasing your ROI. This could be in several forms, such as higher revenue, greater market share, or even higher employee retention.



## Baseline measures

Ideally, you'll have your baseline measures in place before you start tracking any progression. If not, you can still compare your metrics to other industry benchmarks.

## Set targets and responsibility

As diversity, equity, and inclusion can be a slightly subjective, emotional matter, it's especially crucial to set out well-defined, measurable goals. We may have preferences that we don't even realize that can otherwise quash our best intentions. It's a Goldilocks undertaking – we can't have the goals be too ambitious, as this could spark resistance, but we can't have them be too unambitious as they need to motivate individuals to make the commitment and effort.

Once set, the appropriate individuals should be assigned responsibility for separate goals and targets. Performance management tools should ensure accountability.

## Analyze results and outline new initiatives

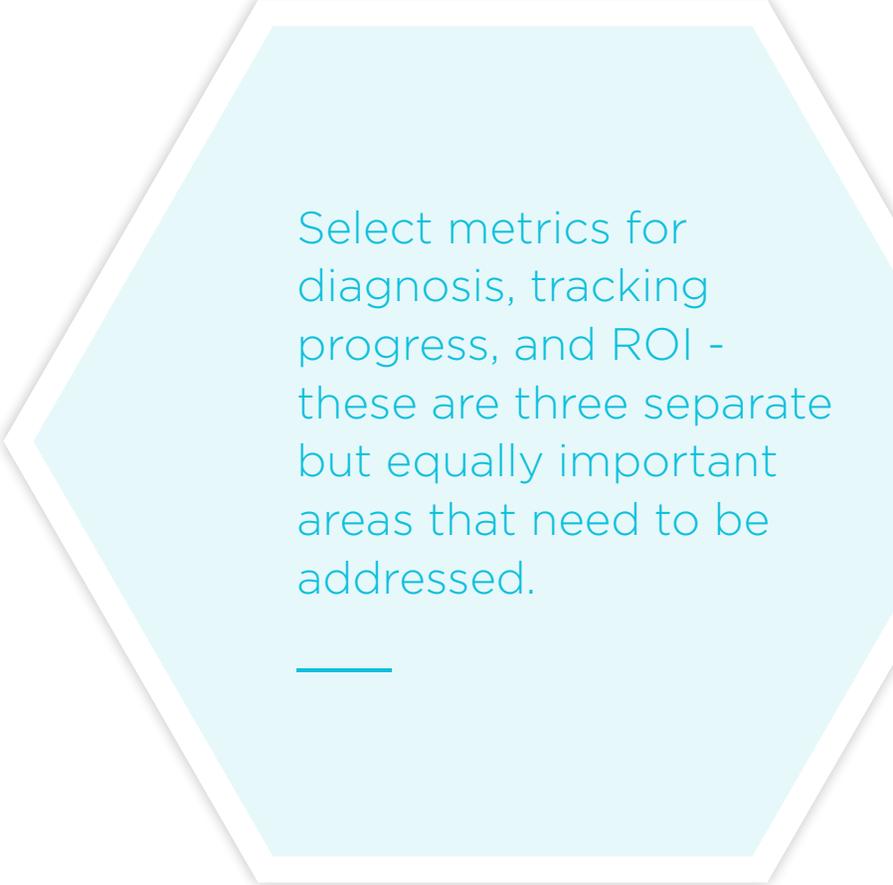
As data rolls in, it needs to be analyzed. What's working? What isn't? How can it be modified for optimal results? You need to assign



responsibility for reporting the findings, as well as responsibility for coming up with a plan of action in response to them.

### **Review regularly**

As mentioned earlier, metrics and initiatives will evolve over time. Your organization should consistently review DEI metrics, updating them as needed to reflect your maturing business goals and DEI program.



Select metrics for diagnosis, tracking progress, and ROI - these are three separate but equally important areas that need to be addressed.

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# 03 Developing a Diversity Compliance Initiative

As DEI programs become a hot topic of conversation across industries, demand for varied initiatives and funding increases. Unfortunately, the truth is that it may be challenging for employers that lack experience with diversity compliance programs to know how to practice and teach nondiscrimination and ensure equality and fairness.

To overcome this obstacle, many organizations establish compliance programs to ensure there is a workplace environment of diversity compliance. However, before you allocate money to DEI training programs, you need to build a good foundation of diversity, equity, and inclusion understanding, and mutual respect in your workplace.

## Where to start

You may be wondering: Where do I begin within my own organization? Here are some suggestions to nudge you in the right direction in kick-starting your DEI programs and which areas to consider for initial implementation.



- **Educate leaders about unconscious bias**

One of the most popular forms this process of education takes is training programs. Most organizations begin their DEI learning as unconscious bias training, a fundamental concept for understanding discrimination and inequality. This process should start at the top: encourage leadership to honor others' opinions and promote sharing ideas and constructive debate. Uncovering biases and understanding how to change your approach and behavior is key to making a difference.

On the same note, it's just as important to include your DEI initiatives in leadership development programs that already exist. It should be added to training regimens wherever possible, from talent acquisition programs to new manager training.

- **Develop a diversity and inclusion scorecard and measure business impact**

This is a straightforward way to hold leaders and management accountable and to identify outliers in your diversity and inclusion initiative. Measuring your business goals is a fantastic way to show that DEI is more than a socially conscious undertaking.



These are just two of the more popular ways that many organizations kick-start their DEI program. Based on what you decide is most important to begin with, you'll want to define the most accurate meaningful diversity and inclusion metrics to measure your progress and ensure you're taking the right steps.

## Developing the initiative

There are four major phases in developing a DEI initiative:

### 1. Collect and analyze data to determine the need for change

Before you can set up an effective program or initiative, you need to know how your workforce compares with the labor market. Taking note of any inequities is how you can best understand if they're being caused by demographics, gain a better understanding of your own employee makeup, and determine what you may need to change in your organization.

As mentioned in the metrics breakdown, collecting this information can present various challenges, but most can be overcome with the right approach. Beyond understanding how your workforce breaks down demographically, it can be helpful to collect information about the current company culture regarding diversity, equity and inclusion. This

Before you allocate money to DEI training programs, you need to build a good foundation of diversity, equity, and inclusion understanding, and mutual respect in your workplace.

will give you some insight into how your DEI culture is appreciated or where it may be lacking.

Based on the information you gather, you can identify which areas are problematic and need to be addressed. For instance, you may see that your HR department hires only females, and white females tend to be promoted at a higher rate than their black counterparts.

## 2. Identify business objectives

The next step is to identify how a diverse, equitable, and inclusive workforce will support your organization's business objectives. Once you identify those objectives, your DEI strategy needs to align with them. Do you strive to be more innovative? Do you want to focus on increasing your profitability? Perhaps you want happier employees to increase retention. Or better relationships with your vendors – the possibilities are vast.

Identifying the relationship between your DEI initiatives and your business goals will also help secure the necessary support from senior management. It's also the time to set out who will be held accountable for supporting and engaging in your DEI goals and how they will do so. Setting up diversity committees is a popular way to ensure someone is being tasked with the implementation of the chosen initiatives.



### 3. Create and implement an action plan

It's time to come up with a plan of action, setting clear goals for the initiative. Define responsibilities, action items, and deadlines. You need to clearly communicate your DEI initiatives and goals both within the organization to stakeholders and without, to media and vendors, as appropriate.

### 4. Evaluate and optimize

As you measure the results based on your chosen diversity and inclusion KPIs, be sure to communicate them throughout the organization to demonstrate success. Or, alternatively, tweak your efforts to optimize your action plan. Reviews will have to be ongoing, as results may take time to change, and efforts will need to be adjusted to reflect your changing business and DEI goals.

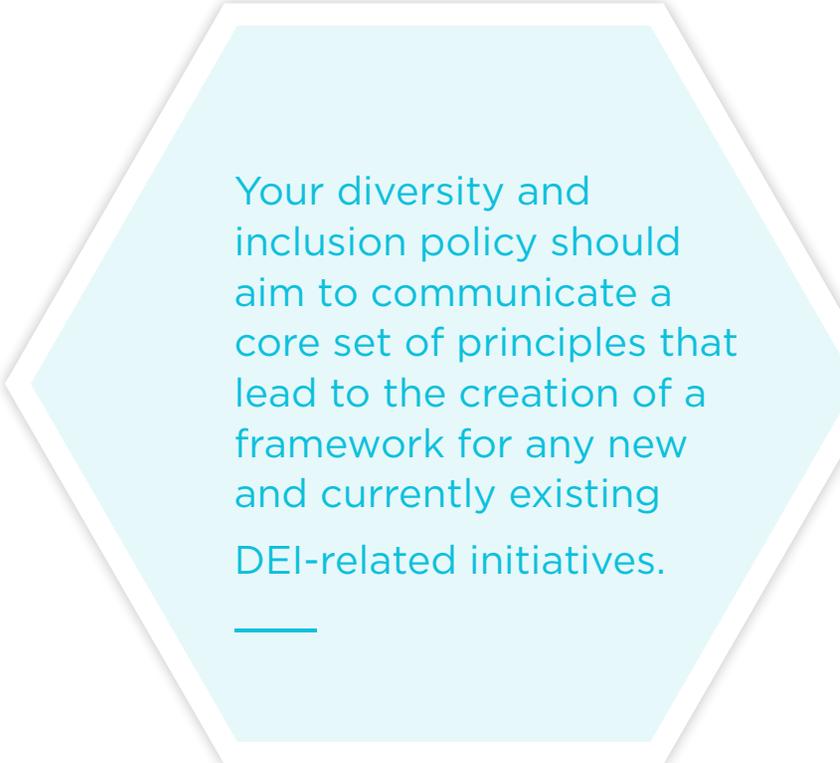
It can be helpful to collect information about the current company culture regarding diversity, equity and inclusion. This will give you some insight into how your DEI culture is appreciated or where it may be lacking.

# 04 Implementing your Diversity and Inclusion Policy

Your diversity and inclusion policy should aim to communicate a core set of principles that lead to the creation of a framework for any new and currently existing DEI-related initiatives. It should guide and apply to all stakeholders, from the Board of Directors to management, employees, partners, and even subcontractors. To form a truly inclusive culture, of course, the policy needs to be applied to everyone equally.

In a similar vein, your diversity and inclusion policy should apply to all aspects of your organization – starting from recruitment through to job assignments, talent development, promotions, employee retention, and benefits and compensation.

How can employers promote diversity and inclusion in the workplace? Once it has been created, there are several ways to ensure your ongoing commitment to the diversity and inclusion policy.



Your diversity and inclusion policy should aim to communicate a core set of principles that lead to the creation of a framework for any new and currently existing DEI-related initiatives.

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## Training

Your diversity policy means nothing unless it is effectively implemented – and a critical aspect of this is training. Training should extend beyond just employees to include management that will be tasked with enforcing it. For an organization to truly foster diversity and inclusion, your leadership needs to understand the goals and support them.

According to the [Harvard Business Review](#), there are two main methods of diversity training in the workplace:

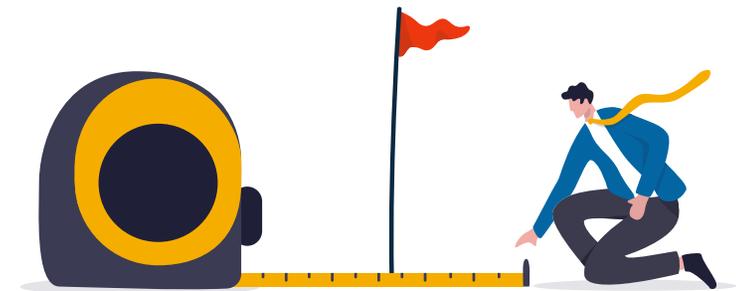
- Diversity training with perspective-taking is essentially the process of mentally walking in someone else's shoes. An [experiment](#) had individuals take the perspective of minorities (LGBT individuals or racial minorities) by writing a few sentences imagining the distinct challenges a marginalized minority might face. They found that this improved pro-diversity attitudes and behavioral intentions toward these groups. These effects carried on even eight months after the initial training.



- Diversity training with goal setting involves asking participants to set specific, measurable, and challenging goals related to diversity and inclusion in the workplace. This is used more broadly to motivate aspects of a person's job performance. Goal setting led to more pro-diversity behaviors three months after the initial training and had long-lasting effects nine months after training too.

The length of time the effects last from a diversity training session is important, as most organizations hold them occasionally, with significant stretches of time passing between sessions.

In terms of training, continuous education is key. In addition to using internal resources, you may consider holding significant training sessions with external professionals – especially when it comes to how diversity and inclusion can relate to employers' legal obligations and employees' rights. Partnering with consultants can help you build customized training programs for the overall organization, as well as some that are function-specific as needed. To fully benefit from a diversity and inclusion policy, leadership needs to understand the policy and how to properly apply it. Training sessions should provide thorough practice on the application of the policy, possibly with case examples. The way you [choose to conduct your training sessions](#) may depend largely on your organizational setup; especially with [hybrid workforces](#) becoming more popular, you need to see what works best for your employees and staff.



You may opt to hold face-to-face training sessions, which are generally better for an in-house training team. You can hold hybrid online sessions, where some of the training is conducted online, and some is done in-person. This gives participants the chance to meet a trainer face-to-face, but also learn on their own. Some organizations also choose to conduct their training online, which can be cost-effective. In this case, you should encourage some type of forum for discussions.

It's also important that management and leaders are aware of and watch for common red flags. These flags may signal an accommodation need and should be dealt with correctly and quickly. Identifying these needs early protects the employer from potential discrimination claims, and it shows that you truly, genuinely care about creating a diverse and inclusive workplace for your team.

It has been noted that diversity training that is offered as optional tends to be more effective than mandatory training. But depending on where your organization is at its DEI program, this may or may not be a good option for you. It's important to focus on training that is relevant to your specific business and employees.



It has been noted that diversity training that is offered as optional tends to be more effective than mandatory training.

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## Fostering inclusiveness

Of course, simply training is not enough to have an inclusive workplace. So how can you tackle the challenge of being genuinely inclusive?

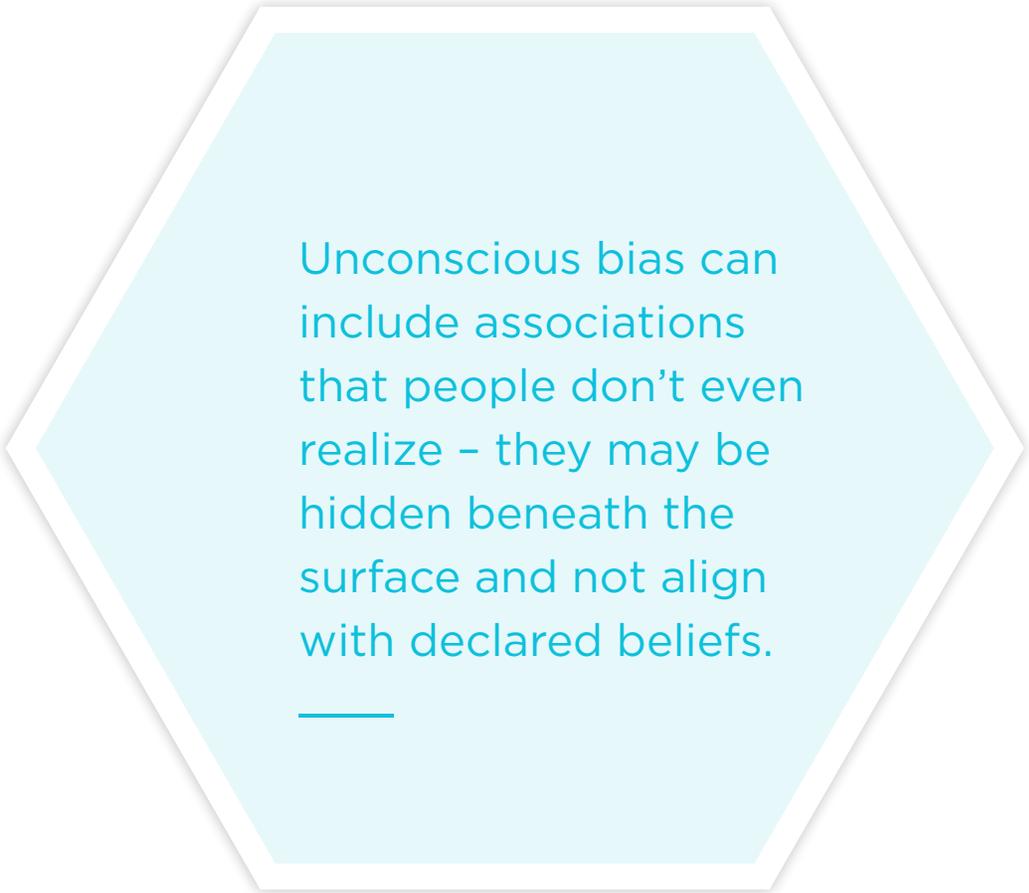
Spread awareness about unconscious bias. Understanding bias and forming an awareness of it is crucial before you can encourage change. Unconscious bias can include associations that people don't even realize - they may be hidden beneath the surface and not align with declared beliefs.

A good way to start working on this is to encourage every stakeholder to review, question, and analyze their own personal biases and assumptions. As they note their own actions, instances of stereotyping might help people become more aware of their unconscious biases, and they can then begin to replace them.

Another key factor is to communicate the importance of managing bias. This really involves the importance of remaining curious and humble about differences. Cultural humility can help manage bias and foster more inclusiveness.



As more organizations implement diversity and inclusion policies, the future for legal diversity looks brighter, thanks to the efforts of committed legal professionals inside more and more enterprises.



Unconscious bias can include associations that people don't even realize – they may be hidden beneath the surface and not align with declared beliefs.

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# 05 The Importance of Vendor Diversity

Vendor diversity is an important, even essential part of DEI - however, it's easy to focus efforts on the immediate workplace (especially on HR initiatives) and overlook third-party or vendor relationships.

Vendor diversity, also known as supplier diversity, is a business practice that encourages the consistent inclusion of small and diverse-owned businesses as suppliers. The proactive program aims to ensure equal opportunity for potential vendors to compete for business opportunities within their supply chains - particularly those that are otherwise under-utilized.

This can include minority-owned businesses, such as those owned by women, immigrants, LGBTQ+, armed forces veterans, disabled veteran-owned, or micro, small, or medium-sized organizations (as defined by the [U.S. Small Business Administration](#), or SBA). Generally, vendor diversity can result in enhanced supply chain diversification.

It's easy to focus efforts on the immediate workplace and overlook third-party or vendor relationships.

## Why is it so valuable?

According to a business survey released by the [U.S. Census Bureau](#) in January 2021, roughly 18.3% or 1.0 million of all U.S. businesses were minority-owned, and about 19.9% or 1.1 million of all businesses were owned by women.

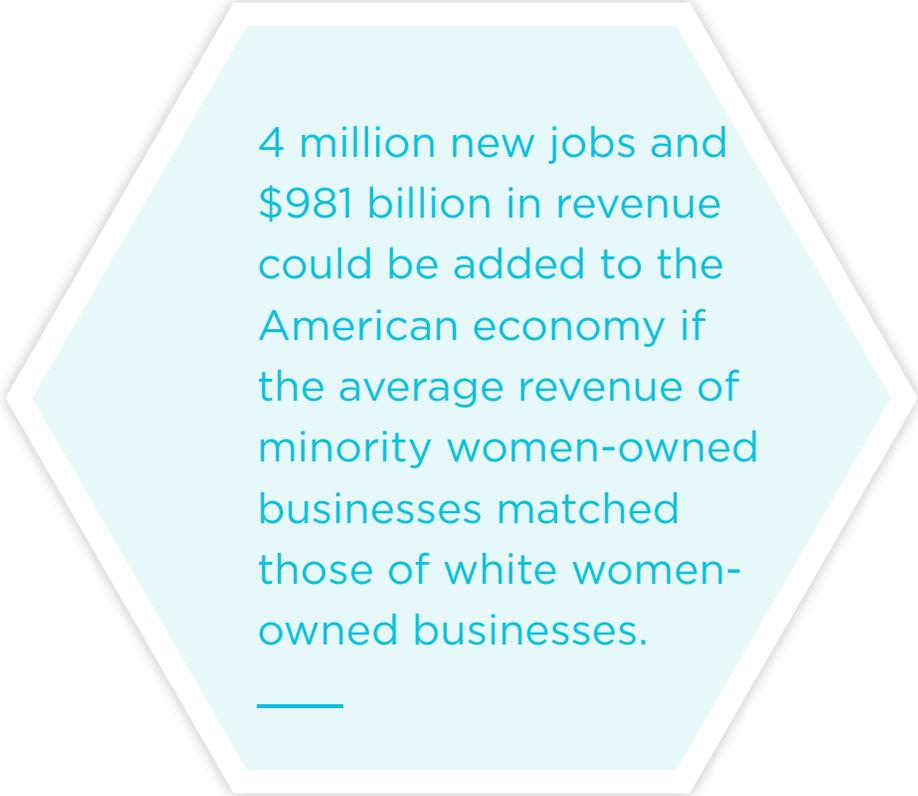
According to research by American Express in 2019, an impressive 4 million new jobs and \$981 billion in revenue could be added to the American economy if the average revenue of minority women-owned businesses matched those of white women-owned businesses.

Clearly, the number of minority-owned businesses is significant. So what can supporting these businesses by adopting vendor diversity do for your organization?

## The pros...

### **Show social responsibility by supporting diverse businesses**

Vendor diversity falls under the umbrella of corporate social responsibility (CSR). This self-regulating model helps businesses be socially accountable to themselves, their stakeholders, and the general public. The model helps companies be aware and conscious



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of the impact they have on society in economic, social, and environmental terms.

By incorporating vendor diversity, businesses can source from previously under-utilized suppliers and help encourage the growth of diverse businesses in their communities. By contracting with these businesses, you would help increase spending and consumption, as well as encourage job creation on a local level. Basically, it's the perfect way to do your part and give back to the local community.

According to the [Harvard Business Review](#), large companies can also encourage - or require - their vendors to create diversity programs. In 2019, for instance, Target spent \$1.4 billion on goods and services provided by first-tier diverse vendors and influenced them to buy over \$800,000 worth of products from second-tier diverse vendors. It's another way to promote vendor diversity and increase the impact within your own community.

### **Drive economic impact**

As a recent [Forbes article](#) highlights, the COVID-19 pandemic may add some urgency to the adoption of vendor diversity practices. As businesses return (or adapt) to their new normal, it may be well



worth noting that vendor diversity lifts the perception of a brand valuing diversity. In fact, according to Stefanie Francis, founder of Hootology, they found that vendor diversity can lift the scores for different metrics by between 25% and 70%. That's a pretty significant increase at a time when brand perception may be the key to increasing your bottom line.

### **Promote innovation**

As with most DEI initiatives, diversity in your supply chains will help increase creativity and encourage innovation. Using the same vendors consistently instead of branching out into new markets can hinder creativity. Small and diverse businesses can offer added innovation, helping them stand out from the competition. They may also be more agile and have the ability to create and innovate faster than more traditional, bigger companies.

According to a study by the Boston Consulting Group, businesses with above-average diversity in their leadership teams see a higher amount of innovation revenue. 45% of total revenue at companies with above-average leadership diversity comes from innovation revenue, while companies with below-average diversity have a much lower 25% innovation revenue.



### **Multiply your procurement channels**

By building a large database of vendors, you have the opportunity to create scenarios that involve multiple vendors for one sourcing event. Multiple procurement channels also allow you to analyze the prices and range of products from several vendors and create the opportunity to build new vendor relationships.

### **Promote vendor competition**

As you widen your vendor pool to incorporate more diversity, you'll generate more competition as vendors try to outdo each other and give you the best deal to secure your business. Increased competition benefits you by lowering your direct and indirect spending.

### **Attract and retain top talent**

As mentioned before, DEI is becoming increasingly important to job seekers. As you incorporate and encourage vendor diversity, you're building and cementing an ethical reputation that will help you attract top talent in the future.



By incorporating vendor diversity, businesses can source from previously under-utilized suppliers and help encourage the growth of diverse businesses in their communities.

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## ...And the cons

While there may be some hurdles you encounter that are unique to your business, these are the three more commonly observed challenges:

### 1. Sourcing diverse vendors that meet procurement needs

Perhaps your organization is ready to adopt vendor diversity – unfortunately, one common hurdle can be finding the right minority-owned vendors! While you will expand your vendor pool, sometimes it's just difficult to find a vendor that complies with your procurement requirements. There are a few different approaches you can take to overcome this. One option is to find small, diverse vendors that need support with the certification process and to help them meet the standards. You can also partner with councils that provide these support systems.

### 2. DEI is created reactively and becomes 'non-essential'

Diversity, equity, and inclusion programs are often created reactively. Unfortunately, this means they can easily be treated as 'non-essential', and have little influence over buying decisions.



This is an underlying issue that is slowly being remedied; as more studies and research show that diversity initiatives go beyond a ‘feel-good’ issue and can affect your productivity, employees, and ROI, organizations are taking DEI more seriously. As the diversity programs become more important to procurement decisions, vendor diversity will be established in a more concrete manner and given more consideration.

### 3. Lack of accountability

As with many DEI initiatives, accountability can be an issue.

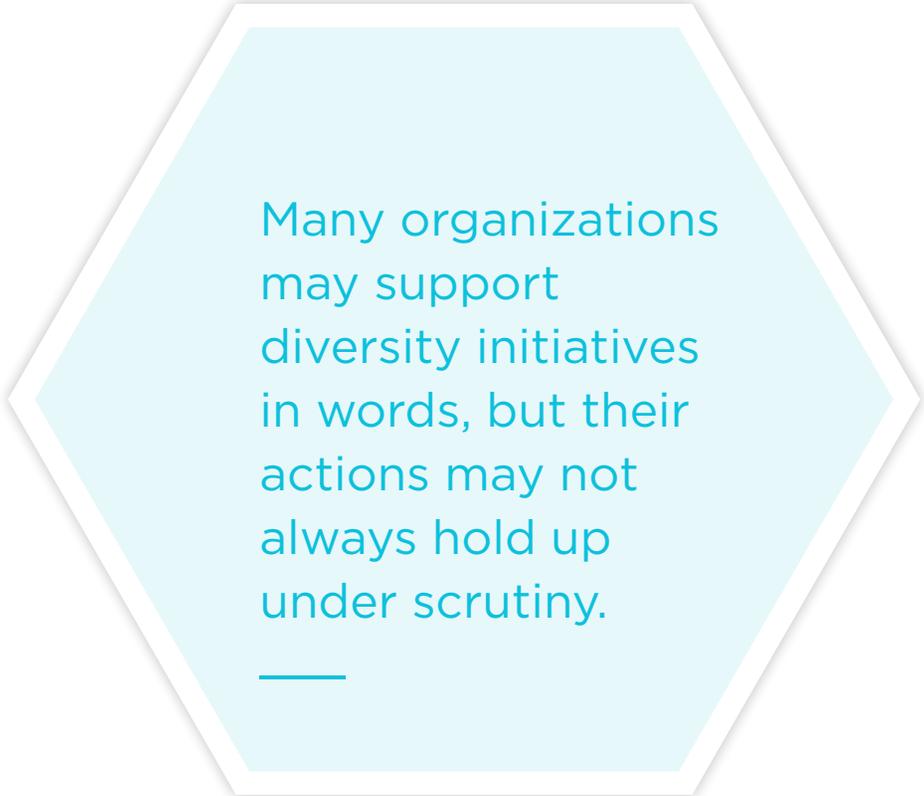
First, many organizations may support diversity initiatives in words, but **their actions may not always hold up** under scrutiny. This can reflect poorly on an organization if it comes to light and ends up creating a poor image of the business to the public.

Secondly, businesses are fair to question if their investments in diversity programs are going to the right groups and whether or not those groups are authentic. This is where the [U.S. Small Business Administration](#) can help, as they lay out some of the [rules and regulations](#) that define governmental requirements. Many companies also have programs with oversight mechanisms



in place. From audits to steering committees, there are various options you can decide to implement to help deal with the challenge of accountability.

Vendor diversity really is an all-around advantageous initiative to undertake. From social to economic benefits, including vendor diversity in your DEI program will provide you with a stronger organization and a happier local and vendor community.



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# 06 The Future of Legal Diversity

The sad truth is, according to the [American Bar Association](#), the legal profession has historically been one of the least diverse professions in the US – and according to a recent survey they conducted, it continues to be so today. Why does this matter?

As they explain, we should care about legal diversity because:

*“...racial and ethnic diversity in the legal profession is necessary to demonstrate that our laws are being made and administered for the benefit of all persons. Because the public’s perception of the legal profession often informs impressions of the legal system, a diverse bar and bench create greater trust in the rule of law.”*

This goes beyond just the public’s confidence in the legal system. Both legal services and legal decisions are affected by the level of diversity in the system. It also brings up the question of fair representation. To take it a step further, diversity fosters creativity and lowers the risk of making decisions that are steeped in unconscious (or conscious) bias.

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## The current landscape

Here are [a few telling statistics](#):

- 96% of participating firms currently have a diversity committee – of those, 92% include management representation
- Law firms are hiring and promoting more women and people of color than a decade ago, but the level of diversity still reduces drastically as you move up the leadership ladder.
- 47% of associates are female, and 27% are people of color.
- Yet 75% of law firm partners are male, and 89% are Caucasian.
- 41% of partners promoted in 2019 were women, and 17% were people of color. Yet among males, 53% of Caucasian men are partners, and only 24% of men of color are partners. Among females, 32% of Caucasian women are partners, and just 17% of women of color are partners.

Clearly, in terms of legal diversity, we aren't quite where we should be...yet.



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## The dangers of slow progress

It's not just that legal diversity is beneficial – a lack of diversity can actually be detrimental to society as a whole.

### Social and individual human inequalities

Lack of diversity can cause significant bias in a firm's operations as a whole. As the [University of Pennsylvania](#) puts it, "Diversity and inequality result from physical environments and human physiological features interacting with economic, political, cultural and social institutions and practices in complex ways, involving historical as well as contemporary forces."

If your firm is composed largely of a single socioeconomic group, the chances are high that there are inequalities that may not even be recognized due to a lack of diversity. Certain risks or inequities require a varied set of eyes and experiences to be properly discerned and addressed.

### Business value creation remains untapped

This stands true for not just legal diversity, but any organization. One of the major advantages is creativity and innovation – diversity breeds creativity. If your organization consists of people from



largely similar backgrounds, odds are you'll find similar approaches to any challenges that may arise.

According to the 2018 study [Delivering through Diversity](#) by McKinsey: "The relationship between diversity and business performance persists. The statistically significant correlation between a more diverse leadership team and financial outperformance demonstrated three years ago continues to hold true on an updated, enlarged, and global data set."

This reflects on different aspects of diversity, too - a few more nuggets from the same study?

- Companies in the top-quartile for gender diversity on executive teams were 21% more likely to outperform on profitability and 27% more likely to have superior value creation.
- Companies in the top-quartile for ethnic/cultural diversity on executive teams were 33% more likely to have industry-leading profitability.

Clearly, having diversity higher up the ladder has a huge impact on profitability and business value creation - and this is not a new realization.



## Regulatory dangers

In some regions, regulators are testing the waters when it comes to pushing for diversity in regulated sectors like financial services. [U.K. regulators](#), for instance, are looking at the possibilities of eventually making diversity reporting mandatory, with attendant penalties for noncompliance.

## Steps to improve future legal diversity

There are various approaches you can take to start improving the legal diversity in your organization, so you can create a future where DEI is an everyday business reality, not a hoped-for goal. These are some of the more prevalent steps being taken by legal departments to start diversifying:

### Take a top-down approach

As you begin to look at the many changes you can make, **pay special attention to leadership roles**. Hiring diverse candidates is, of course, a necessary step, but stand back and evaluate the composition of your legal leadership team and see what may be lacking there.



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### Implement dedicated mentoring programs

Many organizations choose to implement diversity mentorship programs that help you create an inclusive atmosphere. They support diverse populations in terms of career growth and can improve diversity in leadership roles by establishing clear career paths for certain demographics. They also provide a network of support and knowledge for employees.

### Attract and retain diverse candidates

As you hire more diverse candidates, your pool of applicants naturally becomes wider. As your reputation as a diverse and inclusive legal department grows, **you're more likely to attract top talent** that is drawn in by your DEI programs.

While diversity helps with employee retention among all industries, this is a specific problem in the legal industry. In fact, female and attorneys of color leave their firms at a [disproportionately high rate](#):

- Women of color represented less than 10% of all attorneys but over 13% of attorneys who left their firms in 2019
- African American/Black attorneys represented under 4% of all attorneys but nearly 6% of attorney departures



- Asian American attorneys represented less than 8% of all attorneys but over 10% of departures

### **Measure diversity success**

Without the proper use of metrics, there's no way to understand if your diversity efforts are truly making a difference. Make sure you are defining meaningful diversity and inclusion metrics, and track your progress regularly.



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# 07 Risks and Penalties of DEI Noncompliance

Culture change costs money; are there significant risks and costs if an enterprise decides not to invest in DEI compliance and training? There absolutely are.

## **Regulatory risk**

This is obvious: Regulators have, for years, been looking for companies to demonstrate they're investing in equality of hiring and opportunity as part of promoting a fair and equitable workplace. So it won't be surprising to see even more regulation or enforcement.

## **Employee attrition, falling productivity, and sliding morale**

Employees who endure harassment or discrimination, or are aware it's going on, are likely to leave. That can cost a company a significant amount of money, both in terms of replacing them and any legal challenges that may arise. Just ask [Fox News](#) about the costs of toxic workplace culture. Even if employees don't walk, there's damage to productivity and engagement.



### Management and governance continuity risk

See Fox News again, or any number of other firms where officers and executives have been forced to depart due to violations of DEI policies or legal and regulatory challenges. Losing leadership and experience at all levels of an organization can be harmful to business success.

### Reputation and brand risk

Your stakeholders, the media, and regulators all expect a company to prevent harassment and make improvements around DEI. But failing to do so creates the risk of permanent or at least lasting damage to your reputation and brand equity in the marketplace. It's why [Aunt Jemima](#) was retired, after all.

### Market share erosion

If you lose brand standing, you're going to lose sales, period. It's why no company can afford to stand pat on DEI because the expectations of the market and stakeholders have swung; they expect, even demand, action.



### **Customer/client losses**

Legal departments are [driving DEI](#) in the legal industry by insisting on supplier/partner compliance with DEI initiatives. If you're not on board with that, you're going to lose that client, and this will probably become more prevalent across more sectors of the corporate world, not just the legal ecosystem.

### **Vendor network risk**

It's not only about your own policies and culture; the market or regulators may hold you accountable for the failures of your suppliers. Or key suppliers may even have a hard time countenancing you as a customer if you're guilty of infractions that might drag them down, too.

### **Insurance costs**

Not dealing with DEI matters and allowing harassment to continue can drive up your insurance costs.



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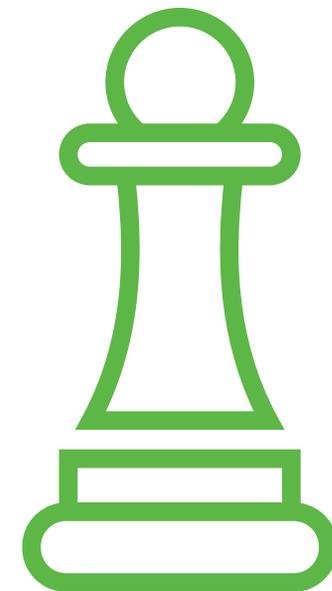
## 08 Moving Forward with a True DEI Strategy

According to a recent [study](#) by Mclean & Company, the unfortunate truth is that many of the DEI actions taken in 2021 by organizations leaned towards quick fixes, instead of focusing on holistic, long-term strategies that address equity and inclusion.

This is particularly risky as it can cause an organization to appear performative, which can cause **significant damage to its brand reputation**. Those that were losing traction mostly lacked leadership buy-in, governance structure, and formalized strategy.

So how can you take real, *impactful* action to address DEI in your organization?

DEI strategies need to **stem from your business strategy**, instead of being sequestered and merely obligatory HR efforts. A strong, effective DEI strategy should be owned by *all* departments and leadership across the enterprise.



What remains even more important than senior leadership commitment, however? The fact that your DEI strategy needs to **resonate with and reflect your brand and people** – in other words, your corporate culture. A one-day bias training course that feels forced could cause more harm than good.

The most effective steps organizations can take to address DEI issues, based on an extensive report “[Elevating Equity: The Real Story of Diversity and Inclusion](#)”, are surprisingly simple - listen and act on what matters most to your employees. Without understanding what your employees care about, taking actions to impact diversity, equity and inclusion are likely to fall flat.

### A Legal Operations workflow for diversity review

As you begin to understand, implement and assess your DEI initiatives, keep in mind that manual processes are just begging to be automated - and these are no different. The [entire legal ecosystem](#) your enterprise employs can now be managed using workflow automation tools – and it should be.

By automating this part of your diversity review process, you can **securely and privately understand the diversity metrics of your timekeepers and outside service providers**. That’s important in



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meeting the demand for greater diversity and the data to evaluate it, both in the corporate legal ecosystem or elsewhere in the organization.

The challenge, in this case? Companies now increasingly need to track the diversity metrics of the outside providers that they use. These metrics are part of the 360° view that a company needs to use to confirm with whom they work, and it's important to keep this information secure and ready at hand.

The solution? With an **automated diversity review workflow** that incorporates online forms and is used by these outside providers, you can capture and record relevant biographical and diversity data at either a firm or timekeeper level to allow your internal users to easily see whether or not a diversity metric has been met.

Being able to do that quickly and consistently across your entire legal ecosystem is an essential part of avoiding risk and assuring that you're working with outside counsel, ALSPs, and other providers who fit into your DEI strategy.

*"We decided to include diversity in metrics because lots of places look at the financial layer, but we explored what's important to legal groups and is really driving buying decisions. Diversity is really driving buying decisions." — David Cunningham, CIO at Winston & Strawn.*

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# About Mitratesch

Mitratesch is a proven global technology partner for corporate legal, risk & compliance, and HR professionals seeking to maximize productivity, control expense, and mitigate risk by deepening operational alignment, increasing visibility, and spurring collaboration across their organization.

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**MITRATESCH**

## CONTACT US

info@mitratesch.com  
www.mitratesch.com

### **Mitratesch US**

+1 (512) 382.7322

### **Mitratesch EMEA**

+44 (0) 1628.600.900

### **Mitratesch AUS**

+61 (0) 3.9521.7077