



Executive insights by Eightfold AI

Beyond buzzwords: Understanding the impact of diversity, equity, and inclusion

“Diverse and inclusive workplaces earn deeper trust and more commitment from their employees.”

– Principal Strategic Adviser,
[Great Place to Work](#)

How focusing on DEI initiatives improves retention and performance

Why is DEI important for organizations?

Workers want to work for organizations dedicated to diverse, equitable, and inclusive workplaces. According to a 2022 [GoodHire](#) survey of U.S. workers, 81 percent of respondents would consider leaving their jobs due to a lack of DEI commitment by their employer.

Not only do DEI initiatives help with hiring and retention, but diversity is a spark plug for performance. A 2021 study by [Gartner](#) revealed that eight out of 10 leaders found that DEI is extremely important in helping their organizations achieve their business goals. Fostering a diverse, equitable, and inclusive workplace helps businesses keep employees longer and encourages them to perform at their highest levels.

Overall, the benefits of DEI can be distilled into five key areas: retention, productivity, innovation, brand image, and profitability.

DEI improves retention

The [cost](#) of replacing an employee can range from one-half to two times the employee’s annual salary. In addition to the direct monetary costs of attrition, there are indirect costs, including lost knowledge and a negative impact on company culture, which can lead to lower productivity and engagement. By focusing on meaningful DEI efforts, employers create environments in which employees feel as though they belong and their work matters, which motivates loyalty.



“If you are working in a diverse and inclusive environment, you will automatically be exposed to a wider range of different opinions, ideas, and skills far more regularly. This, in turn, will allow you to open your mind and become more curious about different ways of thinking. You will also be more likely to learn new skills from your colleagues.”

– Yvonne Smyth, Head of Diversity and Inclusion, [Hays](#)

Eightfold researchers found that an organization’s overall rating on Glassdoor is highly correlated with its DEI rating — the more employees feel their company values diversity, the higher that company’s overall score. Another Eightfold study used diversity and employee retention data from 31 Fortune 500 companies and found that:

- Increasing the share of Black or Hispanic employees by 10 percent can increase a company’s employee retention rate by 4.4 percent.
- Increasing the percentage of women in the workforce by 10 percent can increase an organization’s employee retention rate by 1.4 percent.

DEI boosts productivity

At a time when many companies are struggling to improve productivity, DEI may be the light at the end of the tunnel. Successive studies have shown that the more diverse and inclusive an organization is, the higher its productivity and profit. By creating a sense of belonging for all identities, employees grow a vested interest in the company, such that they apply themselves fully.

A 2021 [Gartner](#) study found that in more diverse and inclusive workplaces, individual effort improves by 12 percent, while team collaboration and commitment improve by about 50 percent. Another study by [Deloitte](#) found that millennials are 83 percent more engaged when working in an inclusive culture. Inclusive teams also make [better business decisions](#) 87 percent of the time — twice as fast and with half the meetings.

DEI encourages innovation

Simply interacting with individuals who are different enables group members to reassess their own assumptions, avoid groupthink, and safely question others. A study by [Cloverpop](#) found that more diverse teams make better decisions. And organizations with [“greater numbers of women](#) are also more likely to introduce more innovations into the market over a two-year period.” Organizations with above-average diversity also [earn 19 percent more revenue](#) from innovation than their counterparts.



DEI enhances brand image

Having a sustainable DEI plan generates a social currency that organizations need to market themselves to customers and employees, which can result in higher stock prices, customer loyalty, and talent retention. [Top Design Firms](#) found that brands with a clear commitment to DEI are able to penetrate into new markets, build stronger relationships with their customers, and increase revenue.

Studies have also shown that when two brands offer the same product, one in three consumers consider each brand's commitment to DEI when making their final purchasing decision. The likelihood of an immediate purchase following a diverse advertisement is consistent with both white and non-white consumers.

DEI increases profitability

An organization's commitment to diversity can pave the way forward for higher profits, competitive advantages, and sustained long-term growth. A 2021 [BoardReady](#) study analyzed the correlation between the diversity of S&P 500 board members and organizational performance during the pandemic. It found that more diverse companies were 9 percent more likely to have positive annual revenue growth in 2020 than less diverse ones.

Likewise, [McKinsey](#) found that organizations in the top 25 percent for racial and ethnic diversity "are 35 percent more likely to have financial returns above their respective national industry medians." Similarly, they found "companies in the top quartile for gender diversity are 15 percent more likely to have financial returns above their respective national industry medians." Another report by [McKinsey](#) found that the positive effects of diversity on profitability have been increasing over time. The positive effects of leadership diversity on profitability in 2019 are much higher than in 2017 and 2014.

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