

Diversity and Inclusion in Canada

The Current State

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August 2014



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Overview

A booming energy sector, global expansion by multinational companies, changing demographics, and a growing need to recruit and retain a highly skilled workforce are sparking a renewed interest in corporate diversity and inclusion practices in Canada. To better understand the current state and leading practices of diversity and inclusion in North America, Bersin by Deloitte embarked on a year-long research project.

This report discusses the functional governance and structure, culture, talent management, and diversity and inclusion practices in Canadian organisations. It also illustrates diversity and inclusion challenges and opportunities specific to Canada.

In This Report

- The definitions of diversity and inclusion
- Why Canadian organisations invest in diversity and inclusion
- How Canadian organisations govern diversity and inclusion efforts
- How Canadian organisations integrate diversity and inclusion with other talent management processes
- How Canadian firms use diversity and inclusion metrics

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Introduction

Why Diversity and Inclusion? Why Now?

For decades, leaders have discussed the importance of diversity and inclusion in the workplace. They have made many of the same arguments year after year—mostly centred on the idea that increased diversity and inclusion leads to a greater ability to attract high-quality talent, serve customers' needs, and develop more innovative products. After 20 years, we have to ask ourselves, why does diversity and inclusion matter now in 2014? What is different?

In essence, the world is different from what it was 20 years ago. The workplace, workforce, and marketplace are changing in ways that require a different approach to management.

1. Workforce Demographics and Expectations Continue to Change

Top talent is increasingly scarce in some parts of the world, abundant in others, and more diverse overall.¹ Within Canada, specifically, demographics are shifting. For example, between 2006 and 2011, the Aboriginal population increased at four times the rate of the non-Aboriginal population.² In addition, the composition of leadership teams is becoming more diverse as a result of government regulations,

¹ Despite projected global population growth from 6.9 billion in 2010 to 7.6 billion in 2020, the working-age population is expected to decline in many countries. While the pool of skilled workers continues to shrink in much of the Americas and Western Europe, it is expanding in South America, and in parts of Asia and Africa. Source: "Tracking Global Trends: How six key developments are shaping the business world," Ernst & Young, 2011, <http://www.ey.com/GL/en/Issues/Business-environment/Six-global-trends-shaping-the-business-world>.

² According to the National Household Survey from Statistics Canada, between 2006 and 2011, the Aboriginal population increased by 20 percent, as compared with 5 percent for the non-Aboriginal population; this growth is expected to continue. Source: "Aboriginal Peoples in Canada: First Nations People, Métis and Inuit," Government of Canada / Statistics Canada, <http://www12.statcan.gc.ca/nhs-enm/2011/as-sa/99-011-x/99-011-x2011001-eng.cfm>.

stakeholder expectations, and accelerating demographic changes.³ Talent shortages (due, in part, to an ageing population) mean not only that the workforce will likely be comprised of younger people, but many of those younger people may need to take on eldercare responsibilities which could affect their relationship with work in the coming years.⁴ Further, Baby Boomers will continue to age, and organisations will need flexible work practices to keep these individuals in the workforce longer or, at a minimum, to transfer their knowledge effectively. Finally, as those older workers remain in the workforce longer, they are more likely to face a disability⁵—making it increasingly important to develop effective approaches to attract and retain individuals with disabilities.

The nature and expectations of the workforce are changing as well. Candidates can choose to work for organisations that offer flexibility, the latest technology, global learning opportunities, and involvement in corporate social responsibility activities. Employees are less afraid to change companies, or even countries, for a better offer—and we do not mean just salary. Other critical elements of the employment value proposition (such as the work environment, the existence of a mission, and people who exhibit passion and purpose, as well as the ability to contribute and grow) influence employees' selection of a company for which to work.⁶ For many organisations, engagement and inclusion are key differentiators to attract and retain top talent.

³ For example, companies listed on the Australian Securities Exchange are required to adopt and publicly disclose a diversity policy, and establish measurable objectives for achieving gender diversity. Source: *Women in the boardroom: A global perspective*, "Deloitte Global Center for Corporate Governance, March 2013, <http://www2.deloitte.com/content/dam/Deloitte/global/Documents/Risk/gx-ccg-women-in-the-boardroom.pdf>.

⁴ Nearly 70 percent of people over the age of 50 will deal with some sort of disability in their lifetime. Source: "Beyond 50.09 Chronic Care: A Call to Action for Health Reform," AARP Public Policy Institute, March 2009, http://www.aarp.org/health/medicare-insurance/info-03-2009/beyond_50_hcr.html.

⁵ Source: "The Public Workforce System: Serving Older Job Seekers and the Disability Implications of an Aging Workforce," U.S. Department of Labor / NTAR Leadership Center / Maria Heidkamp, William Mabe, Ph.D., and Barbara DeGraaf, May 2012, http://www.dol.gov/odep/pdf/NTAR_Public_Workforce_System_Report_Final.pdf.

⁶ This information is based on our current research on the topic of the irresistible organisation, the report for which is due to be published later in 2014.

2. The Workplace and Marketplace Are Changing, Too

To address the changing nature of demographics, the workplace, and the marketplace, Canadian organisations are taking a proactive approach. Some organisations are reconfiguring the demographic composition of their workforces to more closely match their consumer market-base. Other organisations are hiring people who bring new perspectives and solutions to an increasingly complex business environment.

In addition, the combination of Canada's shift from a continental to a global energy player,⁷ and the increased frequency of merger and acquisition activities is propelling Canadian leaders to look at the composition of their workforces in new ways. Many of these leaders believe that relying on a male-dominated, homogenous workforce⁸ will not provide the influx of entry-level through top-tier talent needed to position Canadian energy and materials firms for global success. To meet talent goals, Canadian organisations (especially those in the energy and financial sectors) are especially focused on hiring, retaining, and promoting a growing population of Aboriginal employees,⁹ people with visible disabilities, and women at senior levels.¹⁰

⁷ Source: "Powering up Canadian prosperity: Growing the energy-sector value chain," *Connect!* / The Canadian Chamber of Commerce, July 2010, <http://barriechamber.com/news-announcement/powering-up-canadian-prosperity-growing-the-energy-sector-value-chain>.

⁸ Women only represent 15.6 percent of FP500 (Financial Post 500) board seats. For firms on the TSX60 (Toronto Stock Exchange), there are only 23 visible minority directors—six are women, five are Aboriginal directors, and only three are people with disabilities. The sectors with fewer than 10 percent of women directors include construction, mining, oil and gas, and agriculture, forestry, and fishing. Source: *2013 Annual Report Card*, Canadian Board Diversity Council, KPMG, and The Conference Board of Canada, 2013, http://boarddiversity.ca/sites/default/files/CBDC-2013-ARC_ENG.pdf.

⁹ According to the National Household Survey from Statistics Canada, between 2006 and 2011, the Aboriginal population increased by 20 percent, as compared with 5 percent for the non-Aboriginal population; this growth is expected to continue. Source: "Aboriginal Peoples in Canada: First Nations People, Métis and Inuit," Government of Canada / Statistics Canada, <http://www12.statcan.gc.ca/nhs-enm/2011/as-sa/99-011-x/99-011-x2011001-eng.cfm>.

¹⁰ Source: "It's not enough to want a diverse workforce; you have to create one," *Financial Post* / Caitlyn Coverly, June 18, 2014, <http://business.financialpost.com/2014/06/18/its-not-enough-to-want-a-diverse-workforce-you-have-to-create-one/>.

3. Customers Are More Diverse As Well

In this increasingly globalised, connected, transparent, and diversified world, businesses can no longer expect to have a firm, loyal, and homogenous customer base. Diverse consumer groups have tremendous purchasing power;¹¹ many consumers are willing to make purchases based on the extent to which a company and its products are attuned to their demands and desires.¹² Those demands and desires are often connected to how the organisation treats its workers. In our increasingly interconnected world, consumers are able to see how an organisation operates internally, whether that insight is posted on an employee or an interested party's website.



KEY POINT

The workplace, workforce, and marketplace are changing in ways that require a different approach to management.

In addition to consumer interest, organisations are increasingly compelled to publicly report diversity and inclusion practices and policies. For example, Canadian publicly listed companies must report on their practices through Corporate Responsibility Statements. Further, organisations with 50 or more employees in the Province of Ontario are required to create and disclose accessibility policies under the Accessibility for Ontarians with Disabilities Act (AODA). Armed with information gleaned through these new reporting requirements, consumers and investors are increasingly better positioned to scrutinise organisations' diversity and inclusion practices and outcomes.

Clearly, external forces are pushing Canadian organisations to get in front of the diversity and inclusion wave. To better understand the current state, corporate drivers, and leading practices of diversity and inclusion, Bersin by Deloitte embarked on a year-long research study. This project included an extensive literature review, interviews with more than 50 diversity and inclusion leaders, and an online survey. The survey

¹¹ Three references for this citation include: (1) For example, the purchasing power of women in the U.S. is estimated at between \$5 trillion to \$15 trillion annually, Source: "U.S. women control the purse strings," Nielsen, April 2, 2013, <http://www.nielsen.com/us/en/newswire/2013/u-s--women-control-the-purse-strings.html>; (2) The total buying power of the adult U.S. lesbian, gay, bisexual, and transgender population is projected at \$790 billion (2012 estimate), Source: Witeck Communications and MarketResearch.com; and, (3) People with disabilities control approximately \$220 billion in discretionary spending power, Source: Diversity Inc., 2001.

¹² Source: "Understand the Importance of Diversity," BusinessWeek.com / Yash Gupta, January 12, 2011, www.businessweek.com/smallbiz/tips/archives/2011/01/understand_the_importance_of_diversity.html.

respondents are comprised of 260 diversity and inclusion practitioners, 53 of whom are from Canada and 107 of whom are from the U.S. *(For more on methodology and survey population demographics, please see, "Appendix I: Research Methodology and Demographics of Survey Respondents.")* This study focuses on the findings from our Canadian respondents, but also includes references to U.S. data when additional context is useful.

What Are Diversity and Inclusion?

The concepts of diversity and inclusion are not necessarily new. However, one of the first findings in our research is that organisations have widely varying definitions of diversity and inclusion. Therefore, before progressing too far, we want to define these two related yet separate concepts.

Diversity

Diversity

Bersin by Deloitte defines “diversity” as the variety of people and ideas within a company. Organisations often define the diversity of their people according to unique and / or legally protected differences, such as race, gender, age, disability, sexual orientation, maternity status, and other “nonvisible” qualities and backgrounds. 

While organisations may use a standard definition that encompasses the protected groups, it is important to remember that people are multidimensional in their diversity. The elements and factors that contribute to diversity can be both visible and invisible.¹³

- **Visible Diversity Traits**—Culture, ethnicity / race, nationality, gender, mental / physical status (often referred to as disability), and age.
- **Invisible Diversity Traits**—Diversity of thought, perspectives, and life experiences which may include education, family status, values and beliefs, working-style preferences, and socioeconomic status.

Additional dimensions which may or may not be visible include sexual orientation, religion, language, and veteran status.

¹³ These are the same descriptions of diversity that we used in our survey.

Inclusion

Inclusion

Bersin by Deloitte defines “inclusion” as creating an environment in which people feel involved, respected, valued, and connected—and to which individuals bring their “authentic” selves (their ideas, backgrounds, and perspectives) to their work with colleagues and customers. 

The term inclusion has become an increasingly important concept in recent years. Inclusion focuses less on what makes people different and more on creating an environment that encourages people to bring perspectives, contribute, and be appreciated for all aspects of their diversity in the workplace.

You may wonder why we care about both diversity and inclusion. In short, we care about both because both matter. Throughout our research for this study, leaders at organisations with sophisticated diversity and inclusion approaches underscored the importance of understanding both diversity and inclusion, and their differences. Practically speaking, this means that the desired approach was not just to appreciate employees’ diverse backgrounds, but also to focus on creating an environment which is inclusive and encouraging of all people, regardless of differences.

Organisations tend to group these two differing concepts of diversity and inclusion together, and to manage them from a single function or group. While some may prefer to separate the concepts of diversity from inclusion, since they mean different things, historically they have been grouped together, as they are often managed from the same group within an organisation. When we talk about diversity and inclusion together, as in this report, we are referring to the following definition.

Diversity and Inclusion

Bersin by Deloitte defines “diversity and inclusion” as the variety of diverse people and ideas within a company, and the creation of an environment in which people feel involved, respected, valued, connected, and able to bring their “authentic” selves (e.g., their ideas, backgrounds, values, and perspectives) to the team and to the business. 

With diversity and inclusion now defined, let us turn to the current state of diversity and inclusion in Canada.

The Current State of Diversity and Inclusion

In our effort to understand diversity and inclusion in Canada, one of the core questions asked was the degree to which organisations' cultures embrace diversity and inclusion. We developed a spectrum of diversity and inclusion (see Figure 1).

Figure 1: Continuum of Diversity and Inclusion Cultures, and the Percentage of Canadian Organisations within Each Level*



*Percentages may not total 100% due to rounding.

Source: Bersin by Deloitte, 2014.

As shown in Figure 1, we also asked survey respondents to indicate where their organisation falls on this spectrum. As you can see, nearly 30 percent of Canadian organisations surveyed fall into the “singular culture” and “compliance” levels of this spectrum. Specifically, a large percentage of Canadian organisations (24 percent) indicates that their organisation has a “compliance” culture. This contrasts with our findings in the U.S., which show that only 11 percent of U.S. organisations have a “compliance” culture. Similar to the U.S., Canada’s regulatory laws often serve as the impetus for organisations’ initial diversity and inclusion efforts. The percentage of Canadian firms still at the compliance level implies that a higher percentage of Canadian organisations (versus U.S. organisations) have not evolved to a more mature approach.

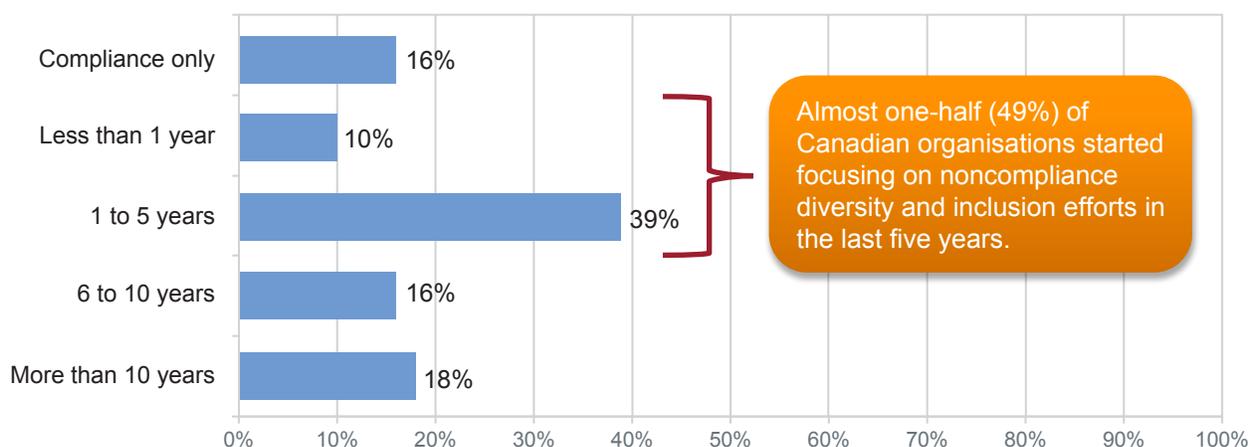


KEY POINT

Forty-nine percent of Canadian organisations only started focusing on noncompliance diversity and inclusion efforts within the last five years.

Given the spectrum of diversity and inclusion cultures, we also wanted to better understand for what length of time respondent organisations have focused on noncompliance-based diversity and inclusion (meaning focusing beyond legal requirements). We were surprised by the results—nearly one-half of Canadian survey respondents (49 percent) indicated that their organisation only started focusing on noncompliance diversity and inclusion efforts within the last five years (see Figure 2).¹⁴

Figure 2: Time Since Canadian Organisations Began to Focus on Noncompliance Diversity and Inclusion Efforts*



*Percentages may not total 100% due to rounding.

Source: Bersin by Deloitte, 2014.

¹⁴ The Canadian results are similar to the U.S. results. One-half (51 percent) of U.S. firms surveyed indicated that their organisation only started focusing on noncompliance diversity and inclusion efforts in the last five years.

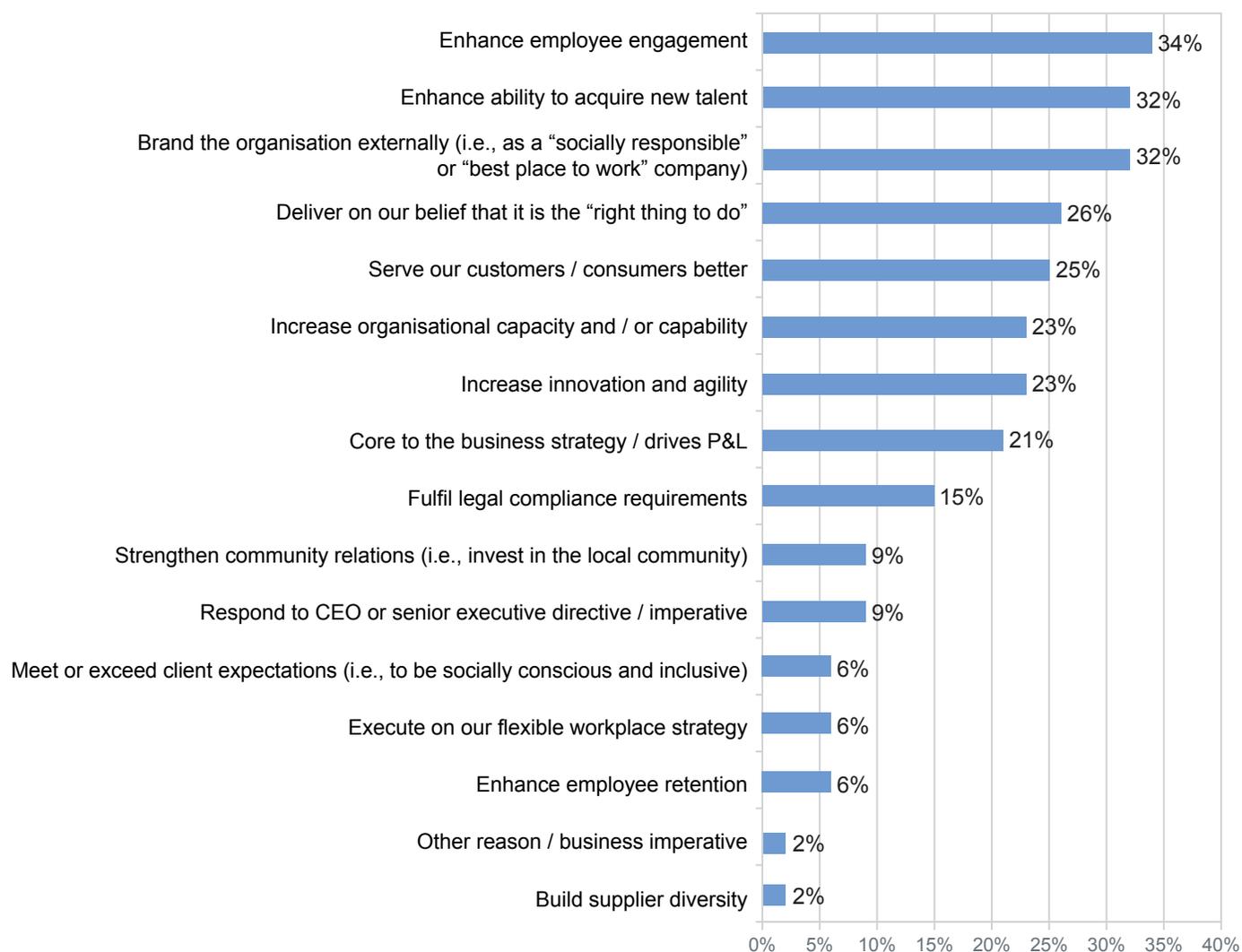
As Figure 2 shows, 26 percent of respondents either currently have a compliance-based approach to diversity and inclusion, or have only begun to move away from that approach in the last year. This percentage aligns with the 28 percent of respondent organisations in Figure 1 which indicated that their culture was either “singular” or “compliance.”

You can also see a connection in the data between Figures 1 and 2. Specifically, only 11 percent of respondents indicated that their organisations have an inclusive culture (as defined in Figure 1), and 18 percent indicated they have focused on noncompliance diversity and inclusion for more than 10 years. These findings, plus other analyses, lead us to conclude that there is likely at least some relationship between an organisation’s commitment to strategic diversity and inclusion, and the type of culture displayed in the organisation.

Reasons for Investing in Diversity and Inclusion

Despite the lack of historical investment in diversity and inclusion, there is good news. Nearly one-half (49 percent) of organisations invested in it within the last five years (see Figure 2), showing increased interest and perceived importance. As highlighted in the introduction, organisations have a wide range and also very specific reasons for investing in diversity and inclusion. Our analysis (see Figure 3) found that the primary reasons Canadian organisations invest in diversity and inclusion are to do the following:

- Enhance employee engagement
- Build the organisation's brand externally
- Enhance the organisation's ability to acquire new talent

Figure 3: Reasons Surveyed Organisations Invest in Diversity and Inclusion

Source: Bersin by Deloitte, 2014.

Interestingly, in Canada, “to serve customers better” and to “increase innovation and agility” are only fifth and seventh on the list, respectively. We were a bit surprised that these factors are not in the “top three” for Canada, as they are top factors cited by diversity and inclusion leaders in the U.S.

To achieve any of the objectives listed in Figure 3, an organisation should invest in diversity and inclusion through such activities as the creation of a diversity and inclusion function. Therefore, let us turn to answering the question, “What do diversity and inclusion functions look like in Canadian organisations?”

Diversity and Inclusion Governance

Diversity and inclusion efforts are governed in a variety of approaches worldwide. In this section, we analyse the following elements of Canadian firms:

- The diversity and inclusion function's composition
- The diversity and inclusion function's reporting relationship
- The use of employee resource groups¹⁵ (ERGs)

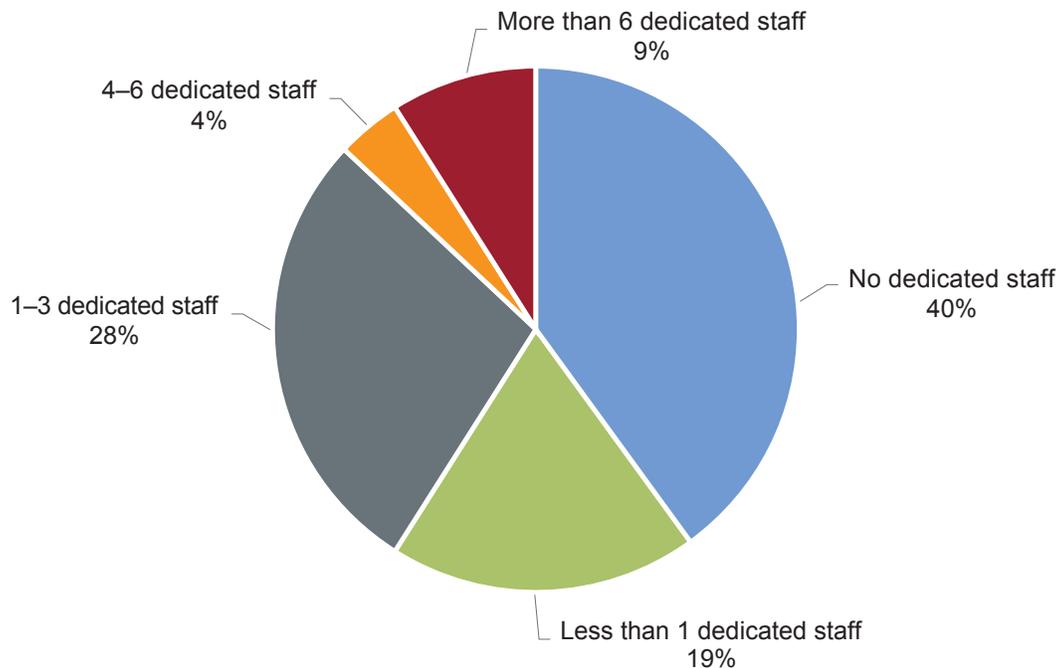
Diversity and Inclusion Functions Are Small and Primarily Staffed by Volunteers

Organisations employ a variety of resourcing strategies, ranging from informal, volunteer-based functions to dedicated staffing models. Some organisations use a “grassroots” framework—leveraging a large, passionate, and broad network of volunteers to support diversity and inclusion efforts in addition to their daily jobs. Leaders at companies which use this philosophy often believe this model ensures that efforts and initiatives bubble up from the lines of business where diversity and inclusion efforts take place. Other leaders believe that, without investment in a dedicated diversity and inclusion staff, accountability, visibility, and results falter.

Although staffing philosophies and resourcing strategies vary, our report highlights one key commonality—despite understanding the business case for diversity and inclusion, and a general desire for diversity and inclusion advancement, Canadian leaders are putting relatively little investment into staffing the diversity and inclusion function. We found that the majority (66 percent) of Canadian organisations do not have a diversity and inclusion function at all, or have a diversity and inclusion function that is staffed solely with volunteers.

¹⁵ “Employee resource groups” (ERGs) have long been a staple of diversity and inclusion efforts within organisations. These groups have ranged from informal forums to connect colleagues from similar backgrounds to formalised and company-sponsored groups specifically focused on helping to advance business and talent strategies with a diversity focus.

Figure 4: Number of Dedicated Diversity and Inclusion Staff in Organisations, with Diversity and Inclusion Functions (in full-time equivalents)



Source: Bersin by Deloitte, 2014.

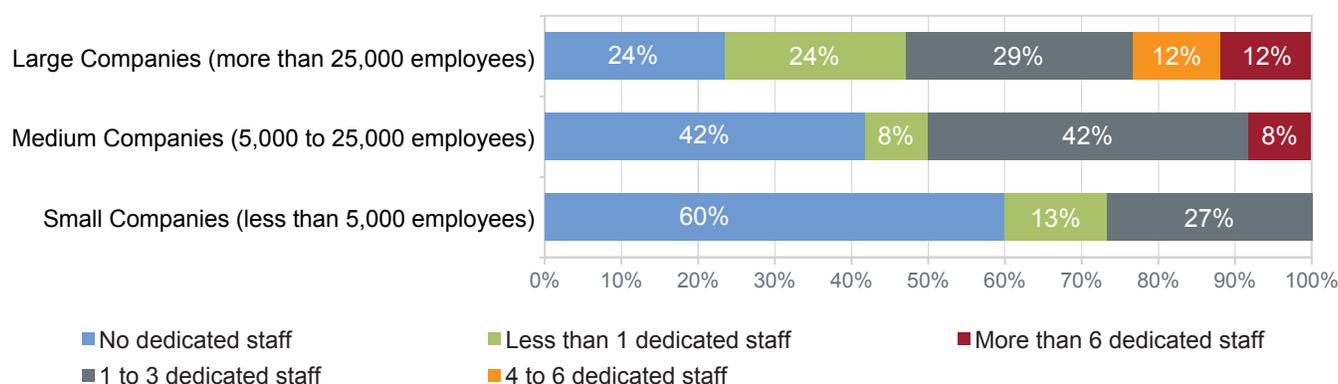
As shown in Figure 4, in organisations that have a diversity and inclusion function, almost all (87 percent) employ three or less dedicated staff. When looking at all of the talent management and business functions which diversity and inclusion practices impact (i.e., talent acquisition, external brand, suppliers, business operations, customer service, community relations, etc.), leaders need to ask themselves if employing three or less staff members makes sense. We assert that many, if not most, organisations' business-critical functions and initiatives are supported by more than three people.



KEY POINT

In Canadian organisations surveyed, almost all (87 percent) employ three or less dedicated diversity and inclusion staff.

As may be expected, we found that larger organisations report slightly larger diversity and inclusion functions—but not by much. For example, more than three-quarters of large Canadian companies employ three or less diversity and inclusion staff. This information reveals that, while larger organizations may be more likely to have full-time diversity and inclusion staff, most are not more likely to have more diversity and inclusion staff per employee.

Figure 5: Diversity and Inclusion Staff Size by Employer Size*

*Percentages may not total 100% due to rounding.

Source: Bersin by Deloitte, 2014.

The creation of a diverse and inclusive workplace—with a goal of driving engagement, building an external brand, and acquiring new talent—requires a business-driven and targeted staffing approach. Without official resources, staff, and public endorsement, the process of creating more diversity and inclusive practices can languish.

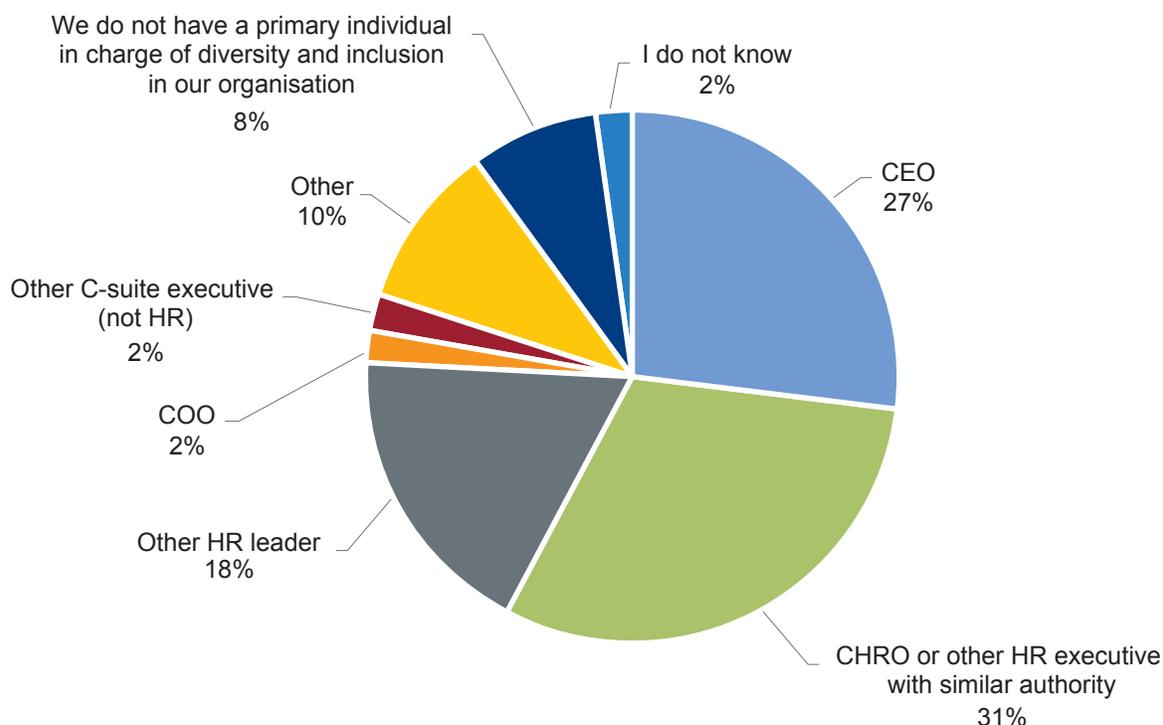
The Diversity and Inclusion Function Primarily Reports into HR

As you can see in Figure 6, approximately 50 percent of Canadian diversity and inclusion functions report into HR. Interestingly, more than one-fourth (27 percent) of Canadian organisations' diversity and inclusion leaders report to their CEOs. Whether or not a diversity and inclusion function should report to the CEO or into HR is a hot topic within the broader diversity and inclusion community.

Our interviews across both U.S. and Canadian companies revealed division on this topic. Some leaders believe that diversity and inclusion should report into HR because a lot of diversity and inclusion work may be executed through talent management processes. Other leaders believe that diversity and inclusion efforts must be driven by top management; therefore, the diversity and inclusion leader should report to the CEO. This point of view is backed up by companies which illustrate that having a diversity and inclusion leader report directly to the CEO is a

leading practice and critical to their success.¹⁶ Unfortunately, our sample size was not adequately large for us to determine if having diversity and inclusion report to the CEO correlated with greater levels of inclusion or business results.

Figure 6: Diversity and Inclusion Function Reporting Relationship



Source: Bersin by Deloitte, 2014.

Nearly One-Half of Canadian Organisations Do Not Use ERGs



KEY POINT

Nearly one-half of Canadian respondents have no employee resource groups.

Employee Resource Groups (ERGs) have long been a staple of diversity and inclusion efforts within organisations. ERGs are often one of the fundamental mechanisms used to jumpstart an organisation's diversity and inclusion practices. While the history of ERGs in the U.S. is quite extensive, we found that almost one-half (45 percent) of Canadian

¹⁶ Source: "Diversity Management: The Chief Diversity Officer's No. 1 Advantage," Diversity Inc, 2012, <https://www.diversityinc.com/diversity-events/how-sodexo-did-it-the-all-important-ceochief-diversity-officer-relationship/>.

respondents have no ERGs, as compared with 30 percent of U.S. respondents. This difference in activity could stem from a bias or stigma in Canada regarding ERGs—that they perpetuate the highlighting of differences, rather than a focus on creating a culture that embraces inclusivity and celebrates the uniqueness of groups.

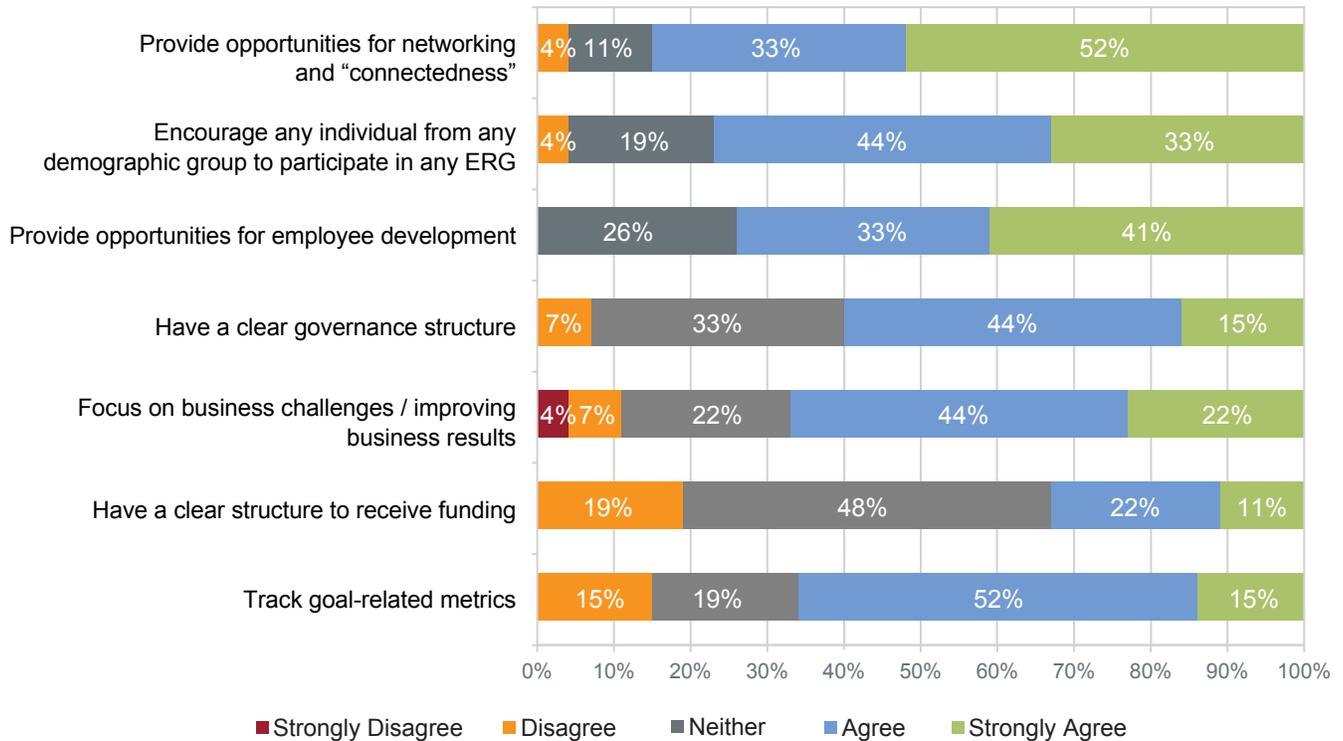
Where ERGs are used in Canada, they are most commonly employed to provide opportunities for networking and connectedness, community involvement, and employee development. This aligns with one of the primary reasons why Canadian organisations invest in diversity and inclusion—to enhance employee engagement. Interestingly, Canadian ERGs are less likely than U.S. ERGs to have a clear structure to receive funding. However, Canadian respondents also report that their organisations track goal-related ERG metrics more frequently than their U.S. counterparts. Providing a clear structure to receive funding and tracking goal-related metrics are two important activities for understanding impact and sustainability.

The higher incidence of metrics tracking (as compared with the U.S.) may be related to the following factors:

- The higher percentage of Canadian organisations with a compliance culture (24 percent of Canadian organisations versus 11 percent in the U.S.)
- The high percentage of organisations with ERGs focusing on business challenges or improving business results (66 percent of Canadian organisations)

As previously stated, Canadian ERGs are less likely than U.S. firms to have a clear structure to receive funding. This may be influenced by the large number of organisations in Canada (66 percent) that have no staff, or rely solely on volunteers to drive diversity and inclusion efforts. Without an official function, funding streams lack an origination point and accountability oversight.

Figure 7: Canadian Corporate ERG Practices*



*Percentages may not total 100% due to rounding.

Source: Bersin by Deloitte, 2014.

Some organisations in Canada leverage ERGs to drive purposeful and innovative work. One such company is TD Bank, which relies on its ERGs to serve in a strategic capacity as the “eyes and ears” of the community. As shown in the following case in point, ERGs are tasked with identifying talent and markets that the company should be involved in, as well as in raising awareness of TD Bank’s inclusive culture.

Case in Point: How TD Bank’s ERGs Help to Govern Diversity Efforts

Headquartered in Canada, TD Bank is a top 10 financial services company in North America. Its three business lines (Canadian retail, U.S. retail, and wholesale banking services) serve more

Case in Point: How TD Bank's ERGs Help to Govern Diversity Efforts (cont'd)

than 22 million customers worldwide. TD Bank's success at building a culture which supports diversity and inclusion is anchored in the belief that supporting and celebrating diversity is a critical business issue for the company.

The mandate to focus on diversity and inclusion comes from the top. Ten years ago, the company began an intentional journey of establishing diversity and inclusion when the CEO determined that diversity and inclusion was not only a compliance and social issue, but also important to driving business outcomes. Recognising that a sustainable culture of inclusion must be in place to support diversity and inclusion, TD Bank began the journey by building organisational awareness and the business case for diversity and inclusion, before engaging stakeholders and establishing accountability.

Today, diversity and inclusion at TD Bank is comprised of six areas of focus. The first category, serving diverse communities, is the customer focus aspect of the bank's diversity agenda. The second category, supporting employee diversity groups, supports the company's employees who are affiliated to these groups (i.e., women in leadership, LGBT, Aboriginals). These ERGs were formed to connect and engage groups of employees within the organisation to create a more inclusive environment.

ERGs at TD Bank generate value for the company by providing a forum for its employees to take part in talent recruitment and community outreach activities. The roles that ERGs play include the following:

- **Talent Engagement**—Provides a forum for networking, and serves in consultative capacity to enable alignment between corporate initiatives and the organisation's culture
- **Talent Development**—Hosts career development speaker sessions for network members
- **Talent Recruitment**—Participates in or sponsors community events to promote talent acquisition

Case in Point: How TD Bank's ERGs Help to Govern Diversity Efforts (cont'd)

- **Community Outreach**—Supports community outreach through volunteering and philanthropic efforts
- **Marketing Outreach / Insights**—Helps TD Bank to gain insights on unique opportunities that exist in communities and develops relationships with clients in these markets

An ERG at TD Bank can be initiated by the leadership team or by employees. The company's philosophy is that both approaches are welcome, as long as the ERG's mission and focus are aligned to TD's diversity and inclusion strategy and mandate, and the ERG follows appropriate guidelines.

The company's approach to driving diversity and inclusion is particularly effective in helping the company reach its business goals. Due to the executive-level commitment to diversity and inclusion, ERGs serve in a strategic capacity by acting as the "eyes and ears" of the community—identifying talent and markets that the company should be involved in and raising awareness of its inclusive culture.

TD Bank's journey to build a sustainable culture of inclusion has been publicly recognised for the impact on its employees and the communities it serves. TD Bank is a three-time winner of Canada's Best Diversity Employer Award. In the U.S., the Human Rights Campaign Foundation named TD Bank a "2012 Best Place to Work for LGBT equality" with a perfect score of 100 percent on the HRCF's corporate equality index for the fourth year in a row. 

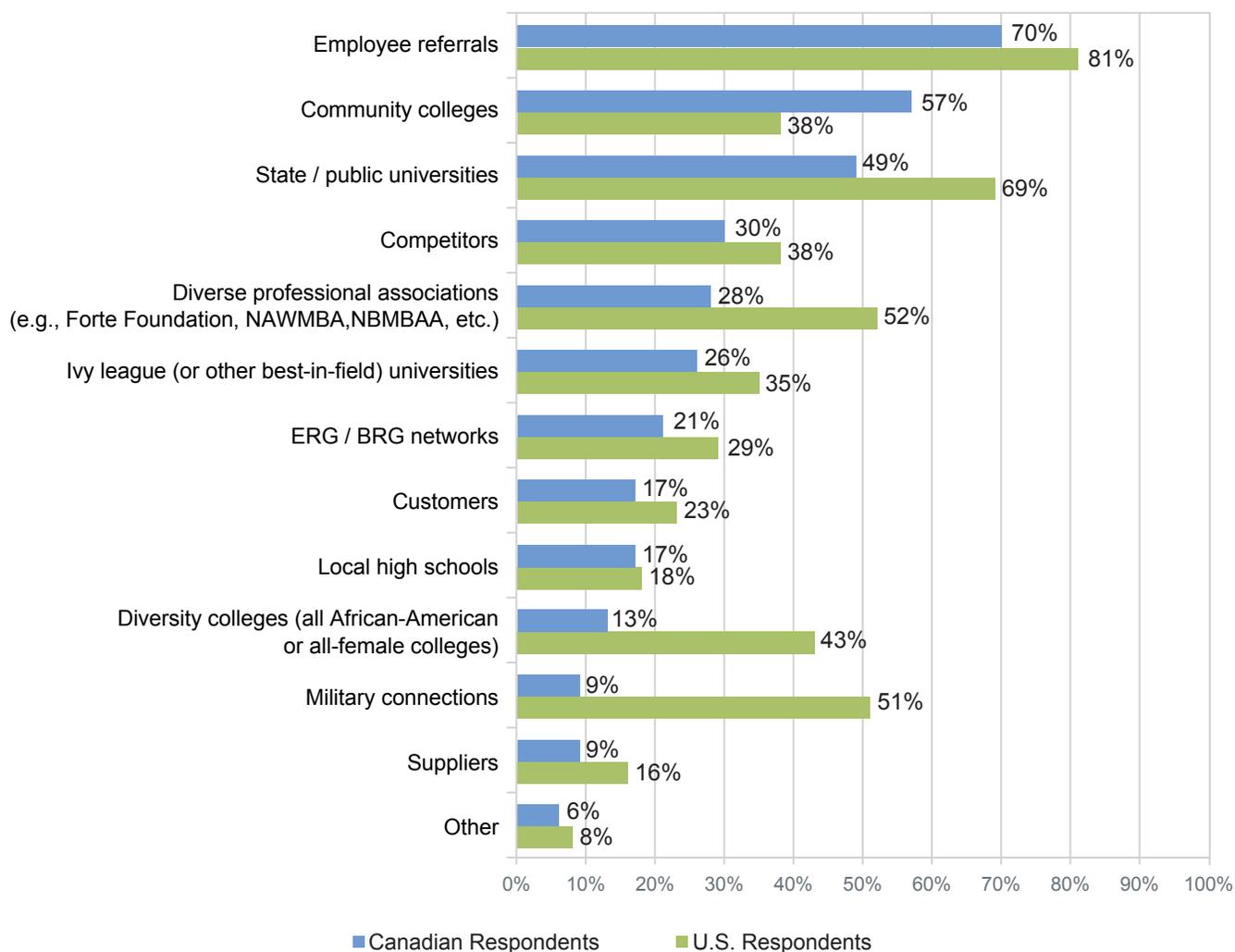
Talent Management Integration

Our research reveals that a critical component of an effective diversity and inclusion approach is to thoroughly integrate diversity and inclusion efforts with talent management processes. To that end, this section focuses on several important talent management processes—talent acquisition, talent retention, performance management, and compensation.

Talent Acquisition

While there are many areas on which to focus within talent acquisition, one of the most critical is an organisation's sourcing channels. Therefore, we analysed from where Canadian firms most commonly source their talent (see Figure 8). We found that the most common Canadian sourcing channels are the following:

- Employee referrals
- Community colleges
- Universities

Figure 8: Canadian Talent Sourcing Channels

Source: Bersin by Deloitte, 2014.



KEY POINT

Employee referrals, which may not inherently lead to diversity, are the number one recruiting source for Canadian companies.

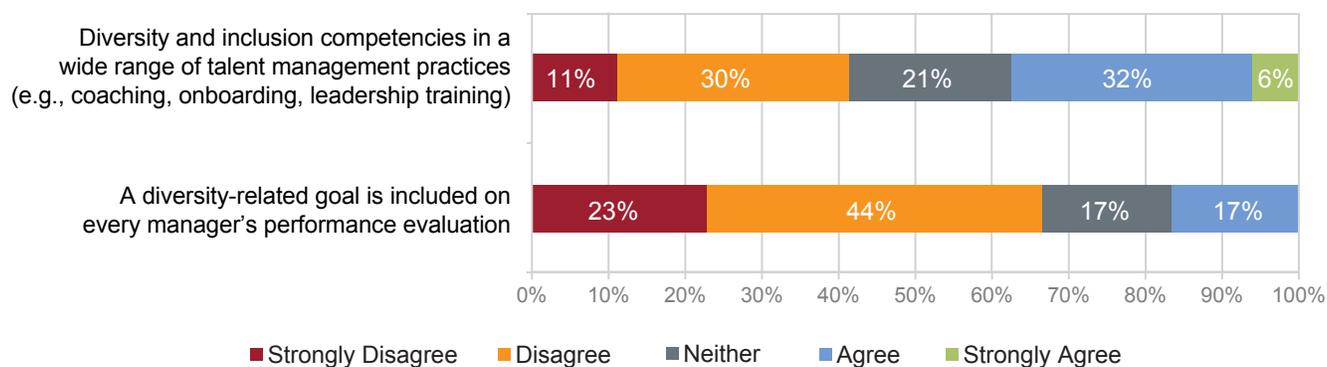
It is unsurprising that employee referrals are the top sourcing channel. However, think about this fact through a diversity lens—if an organisation is already comprised of people who are not diverse, then it is likely that its employees will primarily be connected to individuals who are also not diverse. Therefore, it may make sense for an organisation to place increased emphasis on other channels that could also yield qualified candidates who have a greater diversity of background, experience, or ethnicity. In addition, the data reveals an opportunity for organisations to more effectively leverage their existing ERGs in their recruiting efforts, as only 21 percent of respondents indicate that their organisations do this currently.

Performance Management

Performance appraisal is one of the more critical talent management processes in that it touches every employee in the organisation, and reinforces the behaviours and accomplishments which the organisation values. As such, it is not surprising that research shows including diversity and inclusion metrics as part of an employee's performance review is a critical component to the success and longevity of diversity and inclusion initiatives in an organisation.¹⁷

Unfortunately, our research indicates that diversity and inclusion is not well-integrated in performance appraisals. As shown in Figure 9, only 17 percent of respondents "agree" that a diversity-related goal is included on every manager's goals. Further, only 38 percent of respondents "agree" or "strongly agree" that diversity and inclusion competencies are used in a wide range of talent management practices. This lack of integration means that, while leaders may talk about wanting their organisations to be diverse and inclusive, those same leaders fail to hold managers accountable for engaging in behaviours that drive those outcomes consistently.

Figure 9: Percentage of Canadian Organisations Integrating Diversity and Inclusion into Performance Management



*Percentages may not total 100% due to rounding.

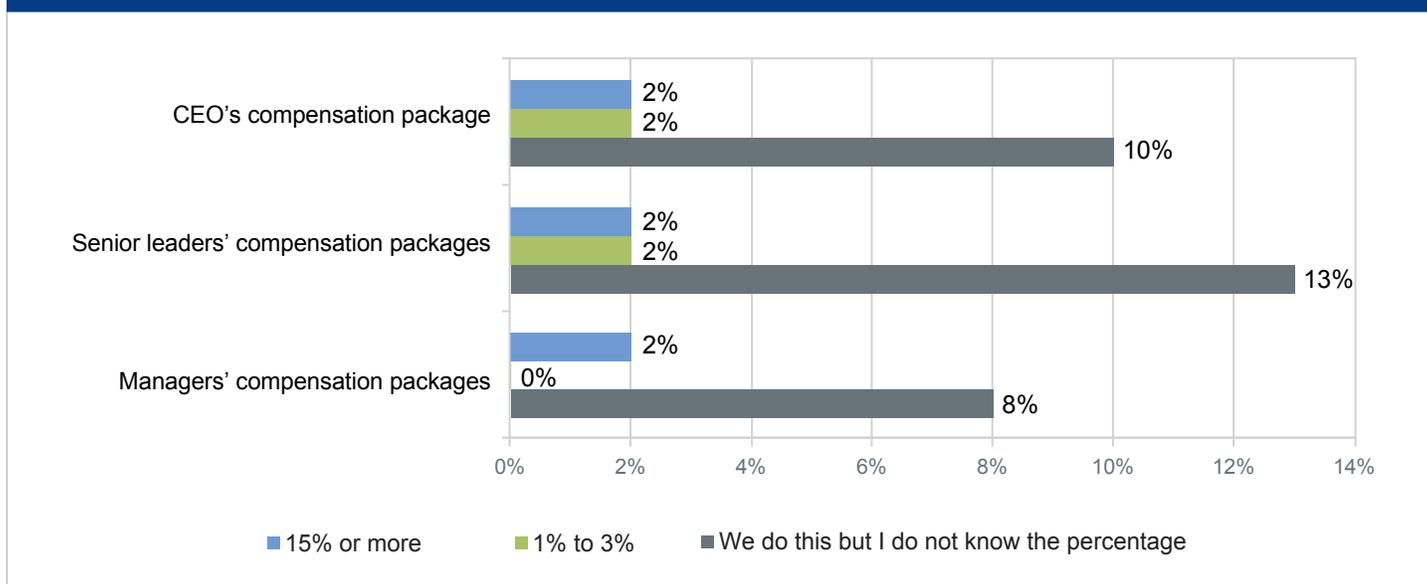
Source: Bersin by Deloitte, 2014.

¹⁷ Source: "Diversity Staffing Structures: Examining Current Practices in the Area of Diversity Staffing," Canadian Institute of Diversity and Inclusion, July 10, 2013, <http://www.cidi-icdi.ca/reports/20130710-CIDI-Report-Staffing.pdf>.

Leadership Compensation

In terms of accountability, the connection between diversity and inclusion, and compensation is missing in most Canadian organisations. Even more so than in the U.S., Canadian organisations do not link compensation to achieving a diversity and inclusion metric. As shown in Figure 10, only 14 percent of Canadian organisations link diversity and inclusion metrics to compensation for the CEO; 17 percent link senior leaders; and, just 10 percent of organisations create a linkage for managers. These numbers contrast with 24 percent, 25 percent, and 19 percent, respectively, in the U.S.

Figure 10: Comparison of Linkage between Compensation, and Diversity and Inclusion—Canada



Source: Bersin by Deloitte, 2014.



KEY POINT

In terms of accountability, the connection between diversity and inclusion, and compensation is missing in most Canadian organisations.

Why is the activity in this area so low? A large factor may be that, in the last five years, one-half of Canadian organisations have just started to implement diversity and inclusion practices that go beyond compliance. Implementing incentives for behaviour change is an advanced talent management practice that many Canadian organisations may not have yet begun to implement. Further, creating a culture in which these incentives make sense, are valid, and equitable takes time to develop. In addition, creating a process to collect and analyse “apples-to-apples” performance metrics can be challenging. Finally, while many leaders in organisations with advanced diversity practices believe that including a

metric adds “teeth” to the promotion of diversity and inclusion, other leaders believe compensation metrics can turn diversity and inclusion into a “check-the-box” activity. These latter diversity and inclusion leaders are simply not interested in this specific talent management approach.

One organisation that has worked to better integrate talent management practices and build accountability structures is BHP Billiton, described in the following case in point.

Case in Point: Using Integrated Talent Management Practices

BHP Billiton Redefines the Meaning of Inclusion within the Canadian Mining Industry

BHP Billiton employs approximately 50,000 people worldwide, and is among the world’s largest producers of major commodities (including aluminum, coal, copper, iron ore, manganese, nickel, silver, and uranium), and has substantial interests in oil and gas.¹⁸ In the coming years, many company leaders believe that the demand for skilled employees in the Canadian mining industry will be significant, as projected hiring requirements are estimated at more than 145,000 by 2023.¹⁹ Leaders at these predominantly male mining organisations will be challenged to meet the demand created by high retirement levels, high competition for talent, and the relatively less attractive work environment of remote mining locations.²⁰

In light of this labour shortage, mining companies, such as BHP Billiton, need to find new talent sources, and women, as well as

¹⁸ Source: <http://www.bhpbilliton.com/home/aboutus/ourcompany/Pages/default.aspx>.

¹⁹ Source: *Canadian Mining Industry Employment, Hiring Requirements and Available Talent 10-year Outlook*, Mining Industry Human Resources Council, May 2013, http://www.mihrc.ca/en/resources/Hiring_Requirements_Available_Talent_10_year.pdf.

²⁰ Source: The sectors with fewer than 10 percent of women directors include construction, mining, oil and gas, and agriculture, forestry, and fishing. Source: *2013 Annual Report Card*, Canadian Board Diversity Council, KPMG, and The Conference Board of Canada, 2013, http://boarddiversity.ca/sites/default/files/CBDC-2013-ARC_ENG.pdf.

Case in Point: Using Integrated Talent Management Practices (cont'd)

Aboriginal people, may represent viable options. Today, only 19 percent of the total Canadian mining workforce is comprised of women,²¹ who are underrepresented in senior management, science, engineering, technology and trades, and operational roles.²² In addition, Aboriginal peoples, one of the fastest-growing segments in Canada, represent a growing source of talent in the mining industry but, as a group, they face significant barriers to successful employment.²³

Realising the depth of the talent gaps in front of the company and the opportunities within the Saskatchewan workforce, in 2013 BHP Billiton Canada Inc. leaders set out to devise a comprehensive five year plan for which the vision was clear—to be an organisation that fosters an environment in which people can be themselves, feel valued, and make meaningful contributions at work and in their communities. In support of this vision, the five-year inclusion and diversity strategy aligned strategic business initiatives under four pillars:

- Culture
- Talent
- External engagement
- Workplace

²¹ Source: *Progress in Inches, Miles to Go: A Benchmarking Study of Women's Leadership in Canada*, Carleton University Centre for Women in Politics and Public Leadership and Deloitte Canada / L. Pauline Rankin, Ph.D. and Jennifer Stewart, Ph.D., 2012, <http://carleton.ca/cwpppl/wp-content/uploads/12-2999-Woman-Leadership-EN.pdf>.

²² Source: *The Pathway Forward: Creating Gender Inclusive Leadership in Mining and Resources – A Report*, Carleton University Centre for Women in Politics and Public Leadership / Umut Riza Ozkan, Ph.D. and Clare Beckton, November 2012, <http://carleton.ca/cwpppl/wp-content/uploads/Women-in-Mining-2.5.pdf>.

²³ Source: *Assessing the Effectiveness of Labour Force Participation Strategies*, The Atlantic Aboriginal Economic Development Integrated Research Program / Lori Ann Roness and Mary Collier, March 2010, http://www.unsi.ns.ca/upload/file/eco-dev/assessing_the_effectiveness_of_labour_force_participation_strategies_-_apcfn.pdf.

Case in Point: Using Integrated Talent Management Practices (cont'd)

For BHP Billiton, the key to driving inclusion is balancing aspirational goals with practices that support value to the business, while holistically addressing the needs of its employees and the community / marketplace. According to the company's website,

"... Corporate strategy is based on owning and operating assets diversified by commodity, geography, and market.

To achieve this, we also need a workforce that reflects diversity in all forms, including gender, skills, experience and ethnicity. Embracing openness, trust, teamwork, diversity and relationships that are mutually beneficial, reflects our core value of Respect and is the focus of our people strategy.

In all our efforts, we aim to be inclusive and build pride and loyalty in our workforce."²⁴

The company is in the initial stages of its journey to implement a holistic culture of inclusion and diversity. The process started in 2013 by building awareness and understanding within a core group of key stakeholders (the inclusion and diversity team, HR working group members, and line-of-business leadership councils). Recognising that the BHP Billiton inclusion mindset will continue to grow and develop, the inclusion and diversity strategy was conceived to be as flexible and organic as possible. The goal of this organic strategy is to allow the culture to evolve as the environment and organisational needs change.

To ensure "stickiness," BHP Billiton leaders aligned inclusion and diversity practices with the organisational culture by integrating those practices into all facets of talent management. The inclusion and diversity strategy was developed as an integrated, cross-functional, business-driven approach for which the entire business is held accountable. Integration points include the recruiting

²⁴ Source: <http://www.bhpbilliton.com/home/aboutus/ourcompany/Pages/default.aspx>.

Case in Point: Using Integrated Talent Management Practices (cont'd)

process,²⁵ and standard workforce planning processes, as well as goal-setting and performance measurement.

“What we have learned from this process is that organisations can shift their thinking, their views and their approach to inclusion and diversity. We now have a view, a holistic vision on where we need to go. We have moved away from a “targets” based approach to diversity, to a vision that includes all the multifaceted elements of inclusion. Our next step is to build upon this by helping line managers build and deploy action plans that enable managers and teams to create truly inclusive environments. This is a significant shift in our thinking and while we are not there yet—we are on the journey.”

*Principal Resourcing, Learning and Talent Human Resources,
Potash BHP Billiton*

BHP Billiton leaders widely believe that employing a diverse group of people brings different perspectives to the organisation and will allow the company to become more flexible, more agile, and lead to increased innovation in the marketplace in the years to come. 

²⁵ Quoted from a BHP Billiton job posting. *“BHP Billiton is committed to be an organisation which fosters an environment where people can be themselves, feel valued, and make meaningful contributions at work and in the communities. This will be achieved by recognising, embracing, and leveraging individual differences. In support of this, we are committed to attracting and retaining a diverse workforce and therefore where candidate’s applicable skills and experiences are relatively equal, preference for hiring may be given to Aboriginal candidates and/ or Women in a non-traditional role.”* Source: <http://jobs.bhpbilliton.com/jobDetails.asp?sJobIDs=768921&stp=aw&sLanguage=en>.

Metrics

Measuring Diversity and Inclusion Impact

The old adage “what gets measured, gets done” is a saying that encourages business leaders to implement tracking and measurement of key business and talent initiatives year over year. Unfortunately, for diversity and inclusion efforts, there is a disconnect between measuring and doing at many organisations. We found that the majority of organisations track metrics, yet they fail to leverage those for accountability, action, impact, and change.

Setting and Tracking Diversity and Inclusion Metrics

One positive trend our research uncovered is that the majority of organisations surveyed are tracking diversity and inclusion metrics across the talent lifecycle, including recruitment, advancement, and retention (see Figure 11). The most commonly tracked metrics include the following:

- Turnover rates
- Representation rates at key levels throughout the organisation
- Employee engagement metrics
- Recruiting yields
- Promotion rates

Another positive trend is that organisations include both quantitative and qualitative metrics. Using both types of metrics across the talent lifecycle is likely to create a more complete picture of the issues and how to potentially address them. It also helps leaders to hold each other accountable for improvement on a range of outcomes. Finally, tracking metrics is essential to continuing to tie diversity and inclusion initiatives and solutions to business outcomes, and for measuring return on investment.

Figure 11: Metrics Used to Track / Measure Diversity and Inclusion Efforts

Source: Bersin by Deloitte, 2014.

Using Metrics Data



KEY POINT

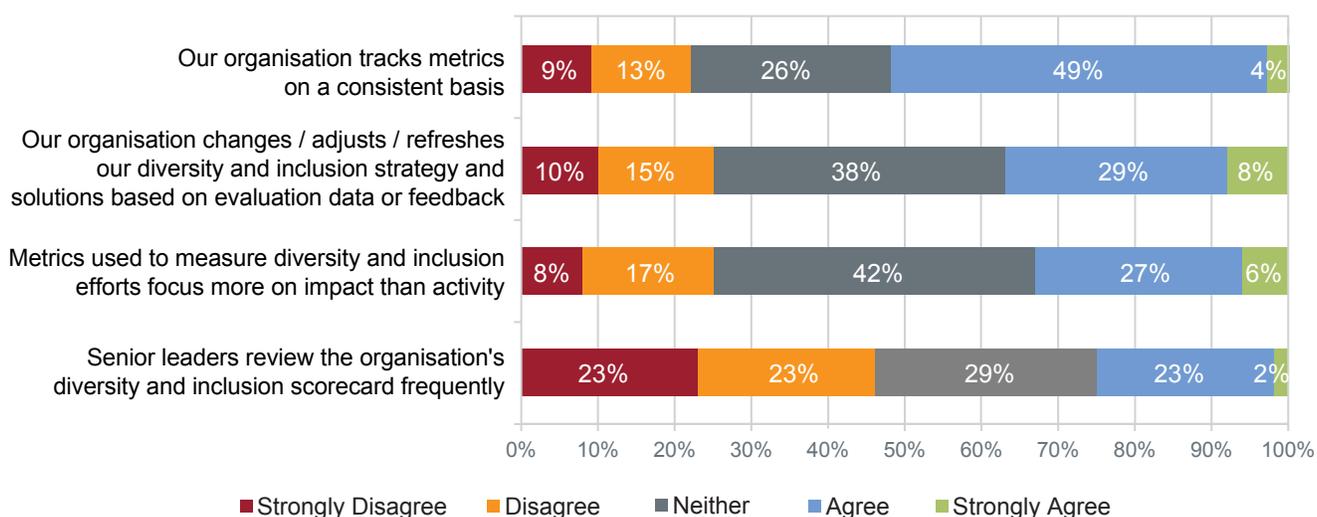
The majority of Canadian organisations tracks metrics—yet they fail to leverage those for accountability, action, impact, and change.

Though respondents indicated that their organisations track a lot of data, only approximately one-half of them (53 percent) indicated this tracking occurs on a consistent basis (see Figure 12). Further, just 4 percent of respondents strongly agreed that their organisation tracks those metrics consistently (this percentage contrasts with 13 percent of organisations in the U.S.).

There are other areas of concern as well—and they all relate to how metrics are used after they are tracked. For example, only 8 percent of respondents “strongly agree” that their organisation changes / adjusts / refreshes diversity and inclusion strategies and solutions based on evaluation data or feedback. In addition, 65 percent “do not agree” with the statement “Senior leaders review the organisation’s diversity and inclusion scorecard frequently.”

In summary, most organisations are tracking metrics, but with little learning or change taking place as a result. While this may not be surprising in an environment in which 26 percent of organisations currently focus on diversity and inclusion from a compliance perspective, or have changed their approach only within the last year, it does represent an opportunity for Canadian organisations to use metrics more effectively.

Figure 12: Extent to Which Respondents Agree with Statements on Metrics Use*



*Percentages may not total 100% due to rounding.

Source: Bersin by Deloitte, 2014.

Conclusion

Market and demographic forces are pushing organisations to look at diversity and inclusion with a fresh perspective and new vigour. Talent shortages, especially in the growing Canadian energy and materials sector, are pushing executives to find new ways to source talent. New foci on global expansion, integrated talent management, and accelerated changes in demographics (an increasingly ageing, disabled, highly educated female, and Aboriginal workforce) are pushing Canadian organisations to look at diversity and inclusion practices anew. Coupled with new workforce expectations and a consumer-driven mindset, organisations are under pressure to create flexible, innovative, transparent, and embracing organisational cultures.

Our research uncovered good news in that nearly one-half of Canadian organisations invested in strategic diversity and inclusion (beyond a compliance perspective) practices within the last five years, indicating increased interest and perceived importance. However, while Canadian organisations are feeling the pressure to embrace more inclusive ways of working and are branding their organisations as such, our research found that there is a current disconnect between the public rhetoric, and the reality of diversity and inclusion practices. This research reveals that the majority of internal talent management programmes, processes, and evaluation practices are not necessarily designed nor staffed to help organisations to achieve their diversity and inclusion objectives.

Canadian organisations have a valuable opportunity to refocus on evolving their organisational cultures to embrace diversity and be more inclusive. Now is the time to harness new technologies and demographic shifts to increase organisational capabilities by designing and infusing diversity and inclusion business goals and objectives into talent practices. First steps in this journey include creating a greater focus on adequate resources and monetary investments, additional C-suite support, reward and accountability structures, as well as transparent and leveraged metrics.



KEY TAKEAWAYS

- A strategic focus on diversity and inclusion is relatively new for nearly one-half of Canadian organisations. Approximately one-half (49 percent) of Canadian organisations only progressed beyond a “compliance” focus within the last five years. This means that up until five years ago, one-half of respondents did not focus on diversity and inclusion practices as an essential talent management opportunity.
- Two-thirds of Canadian organisations do not dedicate full-time resources to a diversity and inclusion function. In addition, of those Canadian organisations that have a diversity and inclusion function, almost all (87 percent) employ three people or less. While executives “talk the talk” about the critical nature of supporting an inclusive workforce, Canadian leaders are putting relatively little investment into staffing the diversity and inclusion function. This may be especially true when compared with the size of and investment in other “priority” business functions.
- Most Canadian organisations are not holding leaders and managers accountable for diversity and inclusion outcomes. Eighty-three percent of respondents reported that they could not agree with the statement, “A diversity-related goal is included on every manager’s performance evaluation.” Most Canadian organisations do not link compensation to achieving a diversity and inclusion metric. Further, only 38 percent of respondents “agree” or “strongly agree” that diversity and inclusion competencies are used in a wide range of talent management practices. This lack of integration means that, although organisations may talk about wanting to be diverse and inclusive, they are not holding leaders and managers accountable for engaging in those behaviours.
- Most diversity and inclusion metrics fail to inspire and impact change. Unfortunately, there is a disconnect between measuring diversity and inclusion efforts, and doing something to improve them. While the majority of organisations track metrics, they fail to leverage those for accountability, action, impact, and change. Most organisations do not design their diversity and inclusion efforts with a specific strategic outcome in mind, as more than one-half of respondents (56 percent) report that diversity and inclusion efforts are not well-mapped to strategic business outcomes.

Key Takeaways (cont'd)

In addition, only 8 percent of respondents “strongly agree” that their organisation changes / adjusts / refreshes diversity and inclusion strategies and solutions based on evaluation data or feedback. Finally, 65 percent do not agree with the statement, “Senior leaders review the organisation’s diversity and inclusion scorecard frequently.”

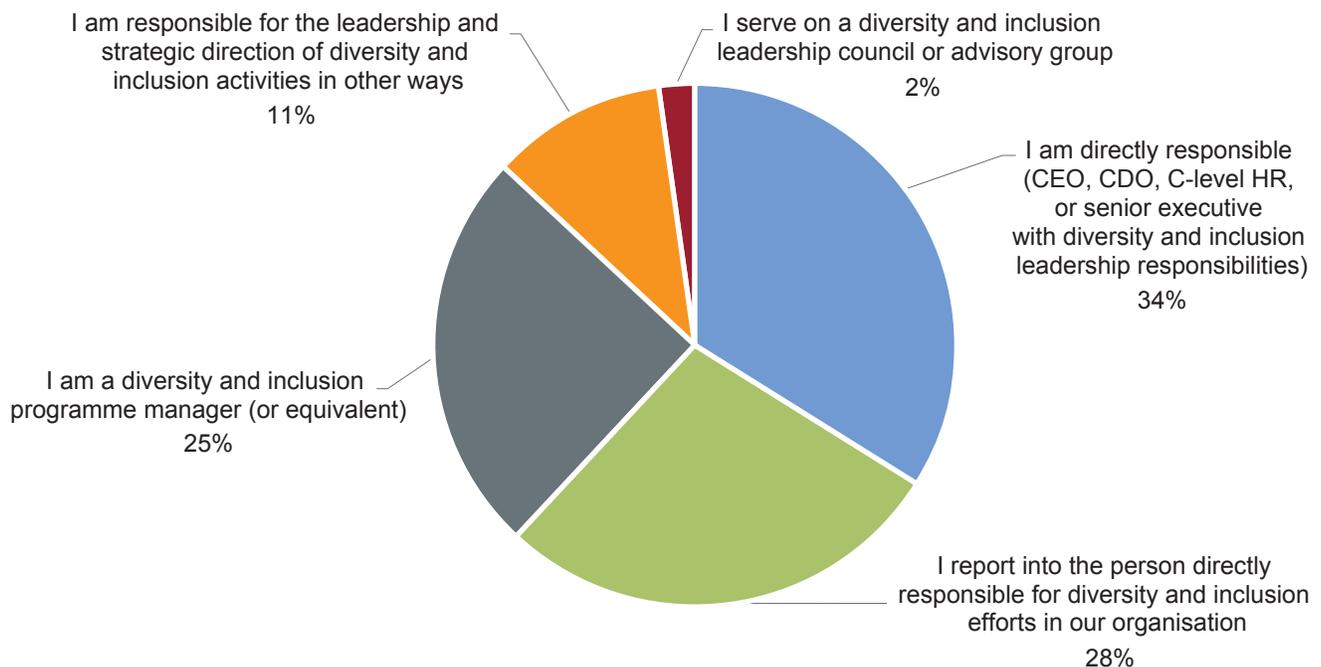
Appendices

Appendix I: Research Methodology and Demographics of Survey Respondents

This study is part of a research initiative launched by Bersin by Deloitte in June 2013. As part of that initiative, we conducted a detailed secondary literature review, interviewed 50 diversity and inclusion executives and thought leaders, and developed a detailed online survey. This study is based on the results of all of those activities.

The online survey was conducted from December 2013 to January 2014, when contacts from the Bersin by Deloitte and Deloitte Consulting Canada databases were emailed invitations to participate in an online survey. The survey collected data from those responsible for diversity and inclusion efforts in the U.S. and Canada. The final count of qualified, quantitative survey respondents from Canada was 53 and 207 from the U.S. At the 90 percent confidence level, we believe our overall survey sample is representative of all of the companies in North America, with a margin of error of +/- 6 percent. A subpopulation size of 53 is adequate for the Canadian cohort.

Figure 13: Respondent Role in Diversity and Inclusion

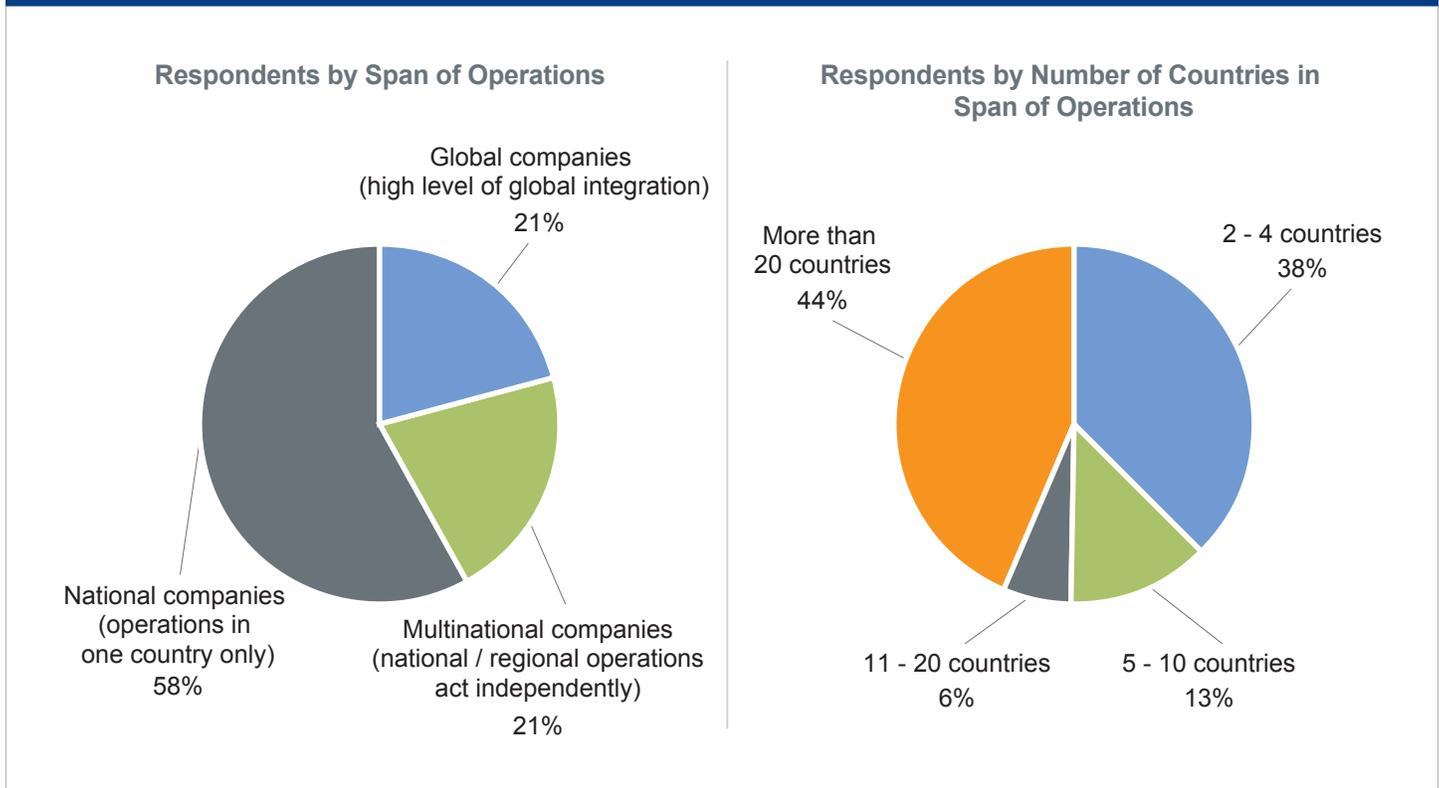


Source: Bersin by Deloitte, 2014.

Almost two-thirds (62 percent) of respondents are primarily responsible for diversity and inclusion efforts in their organisations or report to that person.

Approximately 40 percent of respondents' organisations are global or multinational, and 44 percent of global or multinational organisations operate in more than 20 countries.

Figure 14: Respondents by Geographic Distribution*

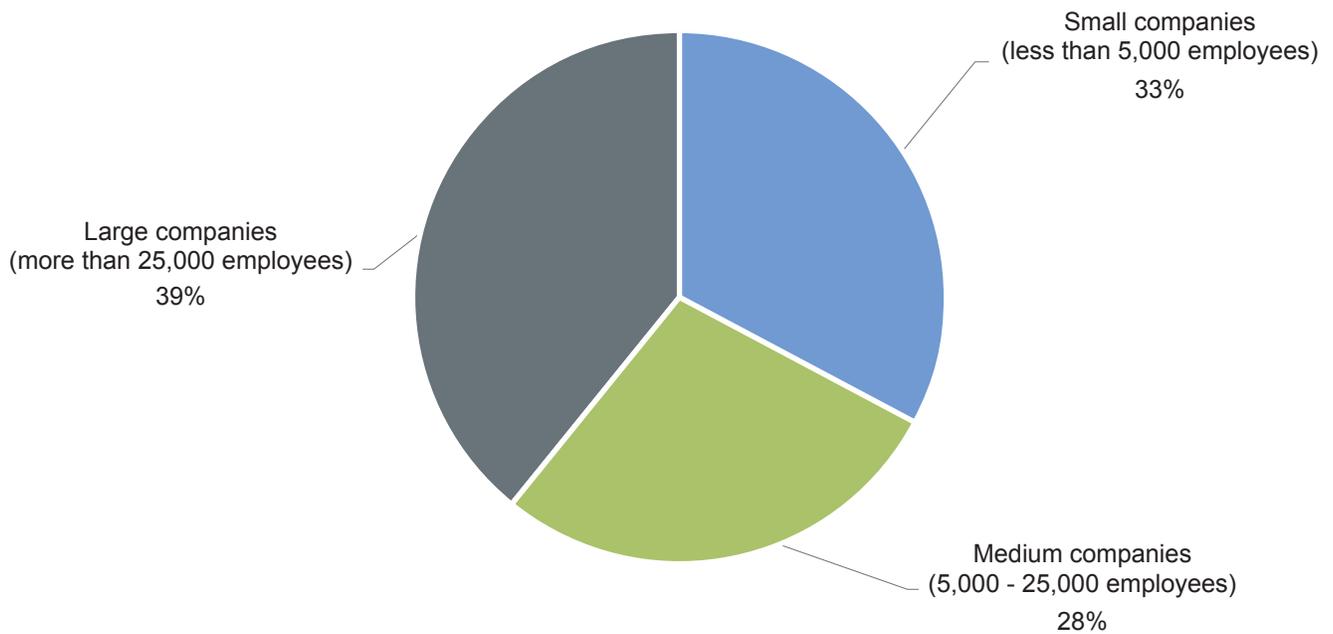


*Percentages may not total 100% due to rounding.

Source: Bersin by Deloitte, 2014.

Our sample displayed a satisfactory distribution across small, medium, and large organisations.

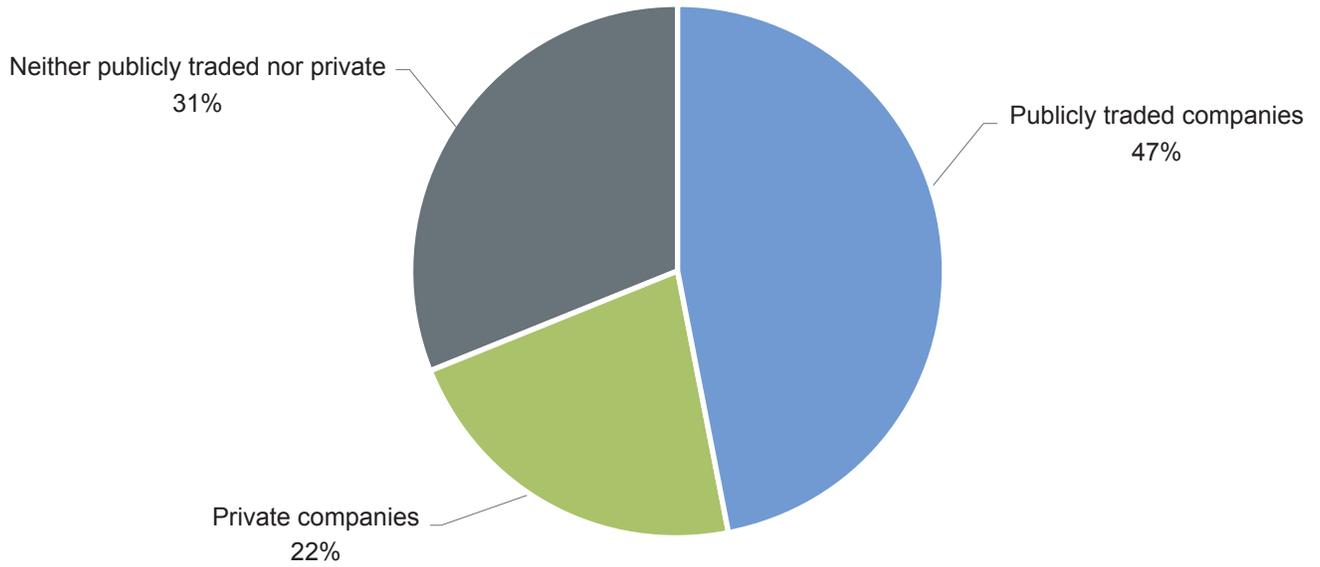
Figure 15: Respondent Population by Employer Size



Source: Bersin by Deloitte, 2014.

Approximately one-half (47 percent) of respondents' organisations are publicly traded.

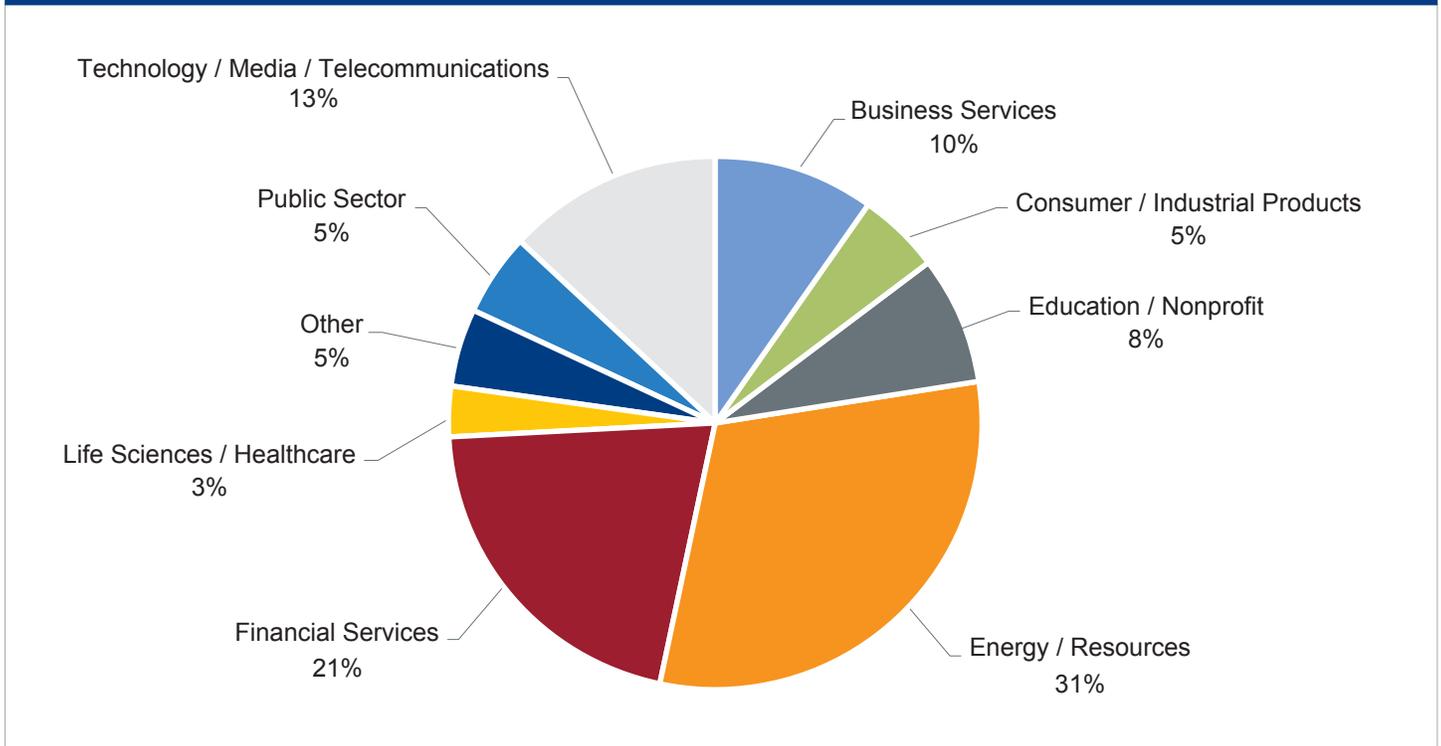
Figure 16: Respondents by Public versus Private Enterprise



Source: Bersin by Deloitte, 2014.

Respondents represent a wide range of industries, but more than one-half of respondents are from either energy and resources, or financial services industries.

Figure 17: Respondent Industries Represented*



*Percentages may not total 100% due to rounding

Source: Bersin by Deloitte, 2014.

Appendix II: Related Research

- *Diversity and Inclusion Primer*
- *Diversity and Inclusion Framework*
- *The Diversity and Inclusion Benchmark Report: Analysis of the Current Landscape*

Appendix III: Glossary of Terms

Diversity

Bersin by Deloitte defines “diversity” as the variety of people and ideas within a company. Organisations often define the diversity of their people according to unique and / or legally protected differences, such as race, gender, age, disability, sexual orientation, maternity status, and other “nonvisible” qualities and backgrounds.

- **Visible Diversity Traits**—Culture, ethnicity / race, nationality, gender, mental / physical status (often referred to as disability), and age.
- **Invisible Diversity Traits**—Diversity of thought, perspectives, and life experiences which may include education, family status, values and beliefs, working-style preferences, and socioeconomic status.

Additional dimensions which may or may not be visible include sexual orientation, religion, language, and veteran status.

Diversity and Inclusion

Bersin by Deloitte defines “diversity and inclusion” as the variety of diverse people and ideas within a company, and the creation of an environment in which people feel involved, respected, valued, connected, and able to bring their “authentic” selves (e.g., their ideas, backgrounds, values, and perspectives) to the team and to the business.

Employee Resource Groups / ERGs

“Employee resource groups” (ERGs) have long been a staple of diversity and inclusion efforts within organisations. These groups have ranged from informal forums to connect colleagues from similar backgrounds to formalised and company-sponsored groups specifically focused on helping to advance business and talent strategies with a diversity focus.

Governance

“Governance,” broadly defined, is the system of checks and balances in place at a company or organisation that ensures it is run and managed in the interests of its owners and other financial stakeholders.

Inclusion

Bersin by Deloitte defines “inclusion” as creating an environment in which people feel involved, respected, valued, and connected—and to which individuals bring their “authentic” selves (their ideas, backgrounds, and perspectives) to their work with colleagues and customers.

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