



## Designing for Impact

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### David Mallon:

Welcome back to Capital H, the podcast where we explore making work better for humans and humans better at work.

I'm your host, David Mallon, chief analyst and lead of Deloitte's Insights2Action team.

Today kicks off part four of our four-part series on Deloitte's 2023 Global Human Capital Trends report. In our first episode, we looked at the overall notion of what it means to work in a boundaryless world and how some of these most basic fundamentals we make about work and workforce and workplace—well, they're falling away, and we need to invent new fundamentals.

We suggest three possible new fundamentals, and those have become the topics for our episodes since.

In episode two, we looked at how leaders need to think like researchers, framing their challenges differently, approaching problems and decisions as experiments.

In our third episode, we addressed the fundamental that organizations and workers need to co-create their future relationships together.

And in this last episode, we're going to address the third new fundamental: the need for organizations and workers to prioritize human outcomes. This final

fundamental for a boundaryless world—it relies on collective aspirations. Organizations should create impact for themselves as businesses, but also their workers, their shareholders, and the broader societies in which they work and live. Over half of organizations surveyed this year do aspire to create greater connections with their societies, indicating that this notion of a social enterprise—something we defined way back in the Deloitte 2018 Global Human Capital Trends report—it continues to be a pivotal force in the world of work. To showcase how this works, how organizations can successfully prioritize human outcomes, I'm joined by a few of my Deloitte colleagues. They are coauthors of this year's report. With that, let's get into the conversation.

**Kraig Eaton:**

Well, welcome back. I'm Kraig Eaton, a principal and 2023 Global Human Capital Trends co-lead. Joining me today for our roundtable discussion are a few of my fellow Deloitte Global Human Capital Trends authors.

First is Christina Brodzik, principal, Diversity, Equity & Inclusion, Client Service practice national leader, and one of our 2023 Global Human Capital Trends authors. Welcome, Christina.

**Christina Brodzik:**

Hi, Kraig. Thanks so much for having us here today. Excited to be with you.

**Kraig:**

So, happy you could join. And then secondly is Joanne Stephane. Joanne is a principal and DEI Institute executive director, and also one of our 2023 Global Human Capital Trends authors. Welcome, Joanne.

**Joanne Stephane:**

Thanks so much. Happy to join you in this conversation.

**Kraig:**

Great. So, let's get started. So, in this roundtable, Christina, Joanne, and I, we're going to dive into the last set of trends underneath the third new fundamental, which is called Designing for impact: Prioritizing human outcomes. And that's covered within our 2023 Global Human Capital Trends report. So, we really want to bring that to life.

This subset of trends, and this fundamental, rely on collective aspirations. Organizations should create impact not only to their business and customers, but to their workers and shareholders as well as broader society.

Now, when we think about what we found in our survey, over half of those that we spoke with or surveyed aspire to create greater connections with the society they work in, indicating that the social enterprise, which is something that we actually wrote about and defined in our 2018 Global Human Capital Trends report, continues to be a pivotal force in the world of work.

We have three trends that fall underneath the "prioritizing human impact" fundamental. Let's take a turn on each one of those.

So, let's start, when we talk about "taking bold actions for equitable outcomes"—Joanne, let me start with you. What does that mean? Help our audience better understand that?

**Joanne:**

Sure. We've been talking about diversity, equity, and inclusion. And each of them are separate things. And so, we have a way of thinking about it where we have an equation. So, diversity plus inclusion plus anti-bias, or addressing the root causes of inequity, result in equitable outcomes at the systemic level and belonging at the individual level. And the thing that might be new here is actually addressing those root causes.

And so, each one of these work in tandem to address what our respondents talked about. So, when we look at diversity, it's dissolving in place of the notion that organizations need to be looking at outcomes instead.

So, rather than focusing on activities and efforts and programs per se, what we really want to do is focus on the outcomes of those activities and programs. Are we actually moving the needle from a diversity perspective and making a difference with the things that we're doing?

So, less activity, more ability to achieve those actual outcomes. Some organizations are making progress on actions specific to diversity. There's been a 1% increase in the representation of women in the global workforce since 2017, and a 6% rise in the number of women in C-suite roles, although only 26% of C-suite roles are filled by women.

So, when we talk about inclusion, what we've seen is that organizations are making progress. There are increased perceptions of what it means to bring your authentic self and increased definition of what that might be.

At Deloitte, as our 2022 DEI Transparency report shows, a year-over-year increase in perceptions of bringing one's authentic self

to work across several identity groups. So, when we put all those together, that's where we see equitable outcomes coming. Christina, you have a perspective?

**Christina:**

I do. What I would say is when we focus on diversity or inclusion programs, it doesn't always guarantee equity for people who participated in the program. So, when we're looking for equity, we're saying that equity acknowledges that the organization as a system is designed to give everyone—with both consideration for, and regardless of, identity—equitable opportunities to thrive.

So, going back to your women example, while the representation of women in the workforce may be increasing globally, the fact remains that for every 100 men who are promoted, only 87 women are promoted, and women leaders are still leaving the organization at higher rates than men. So, that's inequitable.

And if I could bring another example to life, we see a lot of organizations that have leadership development programs, maybe even leadership development programs for women. And that's an action, and those are good in a lot of organizations. But if it doesn't result in equitable outcomes—so for example, women getting promoted at the same rate as men, women taking as much time to promotion as men (or as less, equal)—then we're not having equitable outcomes there.

And we see four common challenges when we're looking at DEI [diversity, equity, and inclusion] progress. So, to what you spoke about, we see a lot of emphasis on activities without extending that to equitable outcomes. So, we want people to take bold action, that's the name of the chapter, but we also want people to measure it.

We also see more focus on solving for the individual than on solving for the system. And what I mean by that—and I'll go back to that leadership development example—is if we only had a better leadership development program for fill-in-the-blank certain identity, then of course we'd have equitable outcomes.

And that's not necessarily true. Every individual operates within the system of an organization. And we really need people to focus on solving for anything that might be biased or broken within the system.

We also see over-aggregated data to report progress or results. So, for example, I see a lot of organizations who will take every identity group, for example, that might not be White, and put them all together and say, "We've got 75% of historically marginalized identity groups here." When really, if you looked at them individually, you would see that there's still so much work to do. So, we recommend disaggregating.

And then we also see a disconnect between DEI objectives and other business objectives. Just to be clear, a bold action would be completely aligning your DEI strategy to your business strategy.

So, what is the data telling us? What did we get back from our survey? What we saw was that 86% of business leaders that we surveyed say embedding DEI into everyday ways of working and teaming while measuring outcomes is important or very important to their organization's success, yet only 25% feel that they're ready or very ready to address this issue.

And when we look ahead two to four years, surveyed respondents expect their organization's DEI efforts to have a large impact on increasing brand recognition at 27%, but much less of an impact on achieving equitable outcomes such as stronger leadership pipeline or increased talent access at 9% and contributing to a positive community or societal outcomes at 10%.

And beyond that, 24% of organizations are not establishing accountability or measuring progress in their equity commitments. So, our conclusion in evaluating these survey results is that there may be a DEI commitment drift on the horizon, or people in organizations forgetting or getting away from some of those bold DEI commitments that we saw in the summer of 2020, where we saw over 1,000 public DEI commitments and a pledge of more than \$210 billion to advancing equity.

**Joanne:**

What we are seeing, the new fundamentals when we are looking at equity as an outcome, taking bold actions. So, the bold actions, meaning we can't keep doing what we've always done, we have to take bigger and bolder actions to actually shift the momentum towards equity.

So, we have to reorient to outcomes, not activities. I love the example that you gave. Things are effective if we actually have different outcomes and are able to show that the things that we did made the difference. And so, we've improved our diversity and inclusion to result in the equity and belonging.

It's so important to focus on the system, not the individual. Like you said, programs are great, but really, it's the system that determines who gets how far and what it's going to take to do that.

And so, if we get at the root causes of the inequity, if we look at our processes, policies, and practices, then we can see where the system breaks or when we look at the information deeper, we can see how things differ and where it starts to go one way for one group and a different way for the others.

We have to also look at the data when we're looking at the data. It cannot be aggregated. There's not just two groups. We really have to look at the different experiences and the different outcomes by identity group and even by intersectional identity group. That is the only way we will really understand what's happening in the system so that we can address it.

And center DEI as intrinsic to, versus separate from, the business. It needs to be at the beginning of decision-making processes, not a checklist at the end. Otherwise, we're not going to be able to get the outcomes that we're looking for.

So, when we look at these fundamentals, a great example is what we saw at Google. Google's been reporting on its workforce representation data out since 2014—a lot earlier than most other companies.

In 2022, Google published trends data for workforce representation, hiring, attrition, exits, and self-ID; tech versus non-tech versus leadership roles; by race and ethnicity; and by gender globally and by region. Such depth and specificity allowed workers to see themselves in the data and pinpoint areas of strength and opportunity. And that's one of the great examples of disaggregating the data.

So importantly, it was intersectional data for the US workforce. For example, hires of Black women compared to Black men, or attrition for Asian women compared to Asian men, allow even more precision to enable the development of solutions to drive equitable outcomes for cohorts that are most underrepresented.

Chief Diversity Officer Melonie Parker, speaking to the power of data, notes: "We are seeing promising progress in the improved attrition for many of our intersectional communities. The data from our diversity annual report also shows areas where we'll look to do better, and we remain focused on improving hiring and retention for each of those communities."

What I really like about this story is not only are they collecting and disaggregating the data, but they are sharing it with their people and making it available, which builds trust and also helps everyone know exactly what's happening and what progress has been made.

**Kraig:**

So, Joanne and Christina, thank you. And I love the way that you just ended with the trust point—trust and transparency. So, I think that's very, very important.

OK, so, let's continue. We'll move on to our second trend, which is "advancing the human element of sustainability." This time, I'll start with you, Christina. Obviously, there's a lot of discussion out there today around focusing on sustainability. Maybe help our audience understand a bit about what we mean when we say the "human element" of sustainability focus.

**Christina:**

Sure. And I think to do that, I think we should

just start with a little bit of a discussion on sustainability overall and what we mean by that.

A lot of times I hear people say sustainability, but they really mean climate, or I hear people say sustainability and they are really thinking it's the same as ESG [environmental, social, and governance], which is just a small part of sustainability.

When we talk about sustainability, we talk about meeting the needs of the present without compromising the ability of future generations to meet their own needs. So, sustainability includes everything needed for an organization to achieve long-term existence, profitability, and growth. It also includes an ambition to ensure that economic, social, and technological progress occurs in harmony with nature, so all human beings can fulfill their potential and enjoy prosperous and fulfilling lives.

So, I hope it's helpful to just start out with that a little bit, so that it can help us as we think about putting the human element in. The boundary of the organization as a fully autonomous entity with interests that can be separated from the interest of society at large, it's really blurring. And organizations are facing mounting pressure to address sustainability issues from governance, global coalitions and their communities, and not least their current and future workforce.

And that workforce is demanding that organizations move past rhetoric about sustainability in favor of delivering observable outcomes. So, we're starting to see a theme here.

As a result, organizations must focus on the human elements, which have been largely absent in their strategies and actions to date by hardwiring sustainability into the workforce and the work itself.

And the truth is, is that many sustainability efforts only dabble at the fringes of the business and ignore the human element, which is where meaningful and lasting change takes root.

And when we think about what we're seeing in terms of readiness, we had

84% of respondents acknowledge that understanding the impact of sustainability on their organization and defining ownership for driving progress and outcomes is important to their organization's success.

But yet again, we only see that 21% believe that their organizations are very ready to address such issues. So Joanne, what would be the new fundamentals if they want to start addressing those issues?

**Joanne:**

Very similar to what we saw with DEI. So, embed sustainability into your purpose, strategy, and culture. Start with sustainability as the outcome. Plan strategically for sustainable skills needs and prepare for that. Make work better for humans, so make it better for the work that they do and for their ability to do that work. And the capabilities and skills they need and design for human sustainability. Design so that we can do exactly as you said: do what we need to do while not taking away from future generations.

Another interesting organizational story: Interface carpet company—global commercial flooring company journey to carbon neutrality started in the mid-90s when the leaders put environment sustainability at the company's core by incorporating it into their design philosophy, performance measures, and culture. The organization's core mission was restore the health of the planet.

Their mission has been incorporated into determining what products they design, and how, into workers' performance evaluations, into the interactions that drive daily work. The organization has already achieved its goal of carbon neutrality and aspires to become carbon negative by 2040.

This is an inspiring story, and as I said, it demonstrates when you start with the goal in mind, when you start with the outcome in mind, you can build everything around that and still be profitable and achieve those outcomes.

**Kraig:**

Well, Joanne, you're absolutely right. That is a great story. And what I take away, or one

of the many things I take away, from this discussion is a lot of organizations have been focusing on worker well-being, during and coming out of the COVID pandemic. This takes the definition of worker well-being to a whole other level. And you both called out great examples of it, so thank you for that. Alright, so let's hit the last trend in this new fundamental, which is "elevating the focus on human risk."

So, Christina, again, I'll start with you. I think many of our organizations and those probably listening to this podcast understand what evaluating risk means. And many of them probably have risk frameworks. But what's new about this component called human risk?

**Christina:**

Sure. So, organizations have traditionally thought of human risks through a pretty narrow lens. So, the potential risks that workers pose to the business. So, for example, turnover, poor efficiency, difficulty acquiring and retaining talent. And they really focus on the financial and operations impact of these risks.

In the new world, organizations should expand their view of human risk beyond just compliance and reporting to consider how a broad set of risks are significantly affecting and are significantly being affected by humans. So, we would encourage organizations to think about broader risks, like what work is being performed, how it's being performed, where it's being performed, and who or what is even performing it.

And these risks, which can have a material effect on a company's long-term viability, must be fully understood by all executives with ultimate accountability sitting at the board.

And when we look at the findings from our trends surveyed this year, we show this level of prioritization on human risk is lacking across several dimensions.

So, I'm just going to talk here about the top five. So, one is environmental: not really paying attention to the risk that climate change and the availability of natural

resources could profoundly alter the availability, location, and conditions of work as well as the workforce.

And then from a social perspective: injustice and inequality don't stop at the workplace door. These social issues can affect how workers feel about work, how they collaborate, and their sense of value and belonging to their organization.

So, an example of what's going on outside of work starting to creep its way into how things are getting done at work.

And then third, from a technological perspective: data privacy and security, virtual work, and automation are vital to the health of a business. But they also shape the experience of getting work done and the types of work available to humans.

Our next one is economic: the impact of income disparities, including access to health care, food, and education, affect the abilities and effort that people bring to their work. And I would say this also applies to school as well. If you aren't healthy, if you don't have food, it's really hard to be focused and bringing your best self to work.

And then finally, political: government regulation and political polarization or conflict profoundly influence the nature of the worker/organization relationship and the relationship workers have with one another. And I know these don't occur in a vacuum: Economic risks often drive social ones, environmental risks place different burdens on technology, and so on. And the common thread is that all of these risks have a distinct human impact. But what's the data telling us, Joanne?

**Joanne:**

Well, Christina, there is a significant readiness gap: 81% of respondents understood and acknowledged the importance of anticipating and considering broader societal and environmental risks like political instability and social injustice when making workforce decisions.

This seems pretty obvious and a great idea, but less than 19% believe their organizations

are actually ready to address those risks when making workforce decisions. So, while they think it's what we should be doing, it doesn't seem like they're really doing that.

I would say organizations need to focus on three fundamentals: consider a more expansive set of risks and create a framework for monitoring them. So, this is the theme again: Start with the definition and building it in at the beginning.

Create organizational agility through expanded insights. So, sharing the data and understanding what the data are telling you, and what direction you need to go in and how to make those decisions.

And instilling responsibility at the board level so it cascades through the organization: Start at the very top, have them accountable, and certainly hold the rest of the organization and the other leaders in the organization accountable for this.

So, great story on this: Gard, the Norway-based global insurance provider, actively conducts scenario planning around potential risks, including those posed to the workforce. The company identifies a broad list of potential risks related to socioeconomics, environment, geopolitics, and technology. And then asks both the board and the managers, which they believe are most likely. Gard then conducts scenario planning around these risks with cross-functional working groups to identify potential solutions. So, we can see how doing that really prepares them for whatever may come.

**Kraig:**

Great, thank you. Joanne, that last example, I think all organizations now have an increased level of importance and discipline around scenario planning, just given the magnitude and unfortunately frequency of disruptions that are hitting them. So, to show that example of how workforce risk is showing up in their scenario planning exercise as a critical criteria when evaluating which of those plans to execute on, I think really brings the point home.

So, let's close out the conversation today. I want to give you all an opportunity to just share some final words of wisdom. Christina, I'll go to you first and then Joanne, and then we'll sort of wrap up. I mean, anything with respect to this last fundamental or any of the three trends that we highlighted that you really want to leave the audience with?

**Christina:**

Final words of wisdom. That's a lot of pressure. I guess what I would say is in business and organizations, financial and operational metrics such as revenue generated, cost reduced, and market share captured have been the traditional measures of a leader success, but in a boundaryless world, outcomes broader to the organization are joining that list for which I'm really glad.

And every choice that you and your organization make has consequences. No individual or organization can escape the impact of each other's actions and decisions. So, for example, as an organization, you could choose to ignore political conflict, but this decision in and of itself is a choice. And it's one that could potentially cause customers and workers to disengage or lose trust. And we don't want that.

**Joanne:**

I would say, we've talked about the world being boundaryless. So, many things are interconnected and affect each other. What we believe is leaders have to put humans at the center of everything they do—not just our belief, but what we've seen with the data.

And so, designing for meaningful outcomes that benefit both the organization and the humans it touches, inside and outside of the organization.

So, you really do need to demonstrate real care, real commitment, and concern for the people you lead in their work and in their lives outside of work in order to build meaningful connections to build loyalty and engagement and to get to those outcomes that we've talked about today.

**Kraig:**

Well, fantastic. Well, maybe I'll summarize it this way: Every organization needs to find out ways to make work better for humans and humans better at work. So, hopefully that encapsulates a bit of our conversation.

Well, let me say thank you, Christina. Very much appreciate you joining. Joanne as well. Hopefully you had a little bit of fun. And thank you all for listening. We appreciate you taking the time and spending a bit of time on this important topic with us.

**David Mallon:**

It's no longer enough to just build programs, drive initiatives. They are going to create incremental value, around the edges of important issues like climate, equality, human risk. These are fundamental to the organization's ability to thrive in this new world of work. In this year's 2023 Global Human Capital Trends survey more than 80% of organizations reported that purpose, diversity, equity, inclusion, sustainability, and trust—these are essential areas of focus for them.

Many thanks to our guest speakers for joining us today. This concludes our four-part series on Deloitte's 2023 Global Human Capital Trends report. We hope you enjoyed it. Thanks for listening.

Let us know what you think. Rate us where you find your podcasts and stay tuned for our next Capital H episode. Until then.

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