

A decorative graphic consisting of two thick, horizontal white bars stacked vertically.

CEO Leadership Redefined

Part 2

CEOs Must Set the Diversity, Equity & Inclusion Agenda

While CEOs of the past may have prioritized financial performance high above all else, the agenda for today's CEOs must also include addressing social issues head on, as identified in the [first installment of our CEO Leadership Redefined series](#).

This includes CEOs being held accountable for their actions on Diversity, Equity and Inclusion (DE&I). Increased societal awareness around pressing issues such as racism,

sexism and discrimination more broadly, as well as environmental injustice and health equity, among other issues has forced organizations to reflect on and reevaluate their cultures – and CEOs are expected to take a leadership role. Stakeholders are now looking for organizations they work for, invest in, and buy from to be a catalyst for positive change. If they don't, companies risk losing support and loyalty.

Today, DE&I is much more than just a moral issue, or even a flash in the pan following an event of national importance – it has become a here-to-stay business imperative. In this second installment of our CEO Leadership Redefined series, we use our research of working professionals and institutional investors to explore the role of the CEO in addressing, promoting and taking action on DE&I.

“ Employees and investors overwhelmingly agree that business leaders must address the most pressing issues facing our society and they are not afraid to hold them accountable when they see leaders fail. With the demand for equity, transparency and corporate purpose on the rise, DE&I must be more than just a corporate initiative, it must be a business imperative.”

Christine DiBartolo

Senior Managing Director,
Americas Head of Corporate Reputation

More than ever before, investors believe CEOs need to address DE&I in the workplace

As investors look to a broader set of metrics to evaluate companies—including those related to Environmental, Social and Governance (ESG) factors — ‘increasing workplace diversity’ and ‘building a more inclusive working environment’ are climbing to the top of their priority list. Financial health is the only topic that matters more to investors than DE&I. In fact, throughout the last

18 to 24 months DE&I has gained greater importance with four in 10 investors saying that they have become more concerned with ‘increasing diversity, equity and an inclusive working environment’ – only second to ‘recovering from the pandemic’ as the top concern.

Likewise, DE&I is an important issue for professionals, only being topped by ‘addressing employee wellbeing’ – a reasonable concern after nearly two years of a global pandemic.

CEOs should prioritize most in their companies:

Investors Top 3

1. Financials
2. Employee DE&I
3. Sustainability of their operations

Professionals Top 3

1. Physical health and mental wellbeing of employees
2. Employee DE&I
3. Sustainability of their operations

#2  **Employee DE&I ranked**

Issues and topics of more concern now than 18 months ago that CEOs should address:

INVESTORS TOP 4 OUT OF 13

1. Recovery from the COVID-19 pandemic
2. Increasing DE&I working environment
3. Sustainability & Data security

#2  **Increasing DE&I working environment**

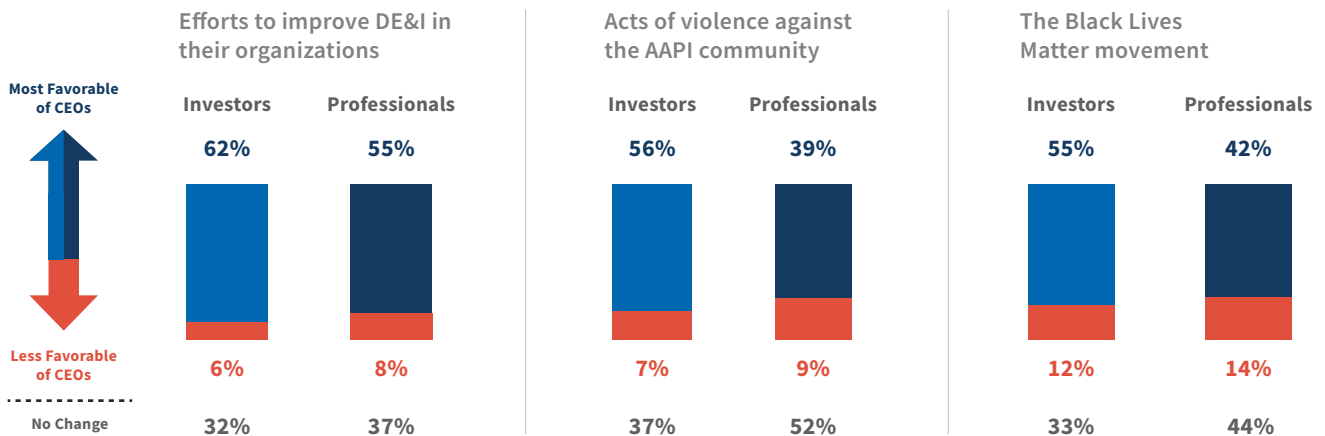
8 out of 13 professionals ranked 'Increasing DE&I working environment'

Addressing DE&I wins CEOs favor, especially from investors

CEOs who have taken the time to address diversity issues and promote inclusivity are being noticed by both investors and professionals. As previously highlighted in our first installment of the [CEO Leadership Redefined](#) series, addressing societal issues generally garners favor from these stakeholder groups. During the social and

political transition of the last two years, most investors say that they perceive CEOs more favorably for making efforts to improve DE&I in their organizations and for responding to hate crimes against Asian Americans and Pacific Islanders (AAPI) and the Black Lives Matter movement.

Change in CEO favorability due to CEO response on...



“ Investor interest in Diversity, Equity and Inclusion is no longer a short-lived moment, driven by a headline-grabbing event. As investors increasingly focus on ESG as a predictor of a financially healthy and culturally thriving company, DE&I is—and will continue to be—a central focus when it comes to assessing companies' Social and Governance metrics.”

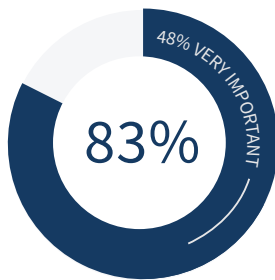
Rachel Rosenblatt

Senior Managing Director, Corporate Reputation

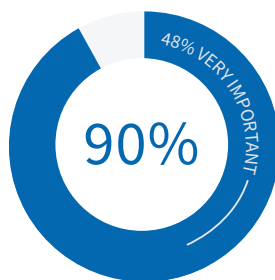
But where to start? It is most critical to prioritize diverse hiring

Addressing DE&I can be a daunting task for CEOs. While supporting a wide range of DE&I efforts is essential, investors and professionals agree that it is most pertinent to recruit diverse talent.

Important for CEOs to prioritize (when it comes to promoting DE&I): Recruiting diverse talent



Professionals



Investors

“ Stakeholders are very understandably focused on diverse hiring, and this has been a growing concern for decades. The good news is that most organizations know how to hire diverse talent. But many still struggle to create equitable and inclusive environments which retain, develop and promote under-represented individuals. If under-represented talent is leaving just as fast as they are being recruited, stakeholders will not see meaningful progress in diverse representation and the true value the organization can create from diversity will remain untapped.”

Darius Johnson

Managing Director, People & Transformation

Then, a multi-faceted DE&I strategy will be most successful



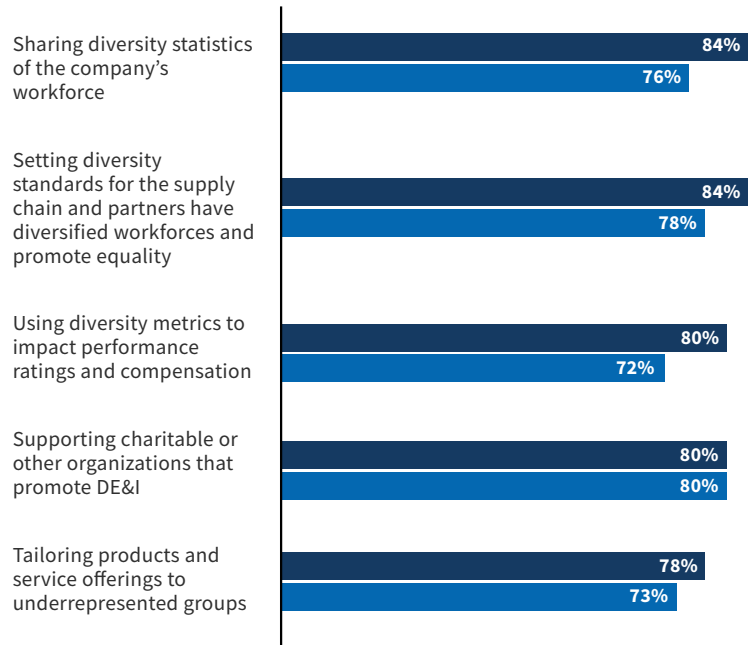
Diversity efforts cannot stop with recruiting diverse talent. Including a broad range of DE&I activities is essential to creating sustainable value for the business and its stakeholders. That said, there is a substantial gap of what stakeholders would like to see and what companies are currently doing.

Investors tend to favor access to the company’s demographics data so they can make accurate evaluations, even though only about 6% of Russell 1,000 companies [disclosed](#) this type of data as of 2020. Professionals are most likely to place greater importance on a company’s efforts benefitting disadvantaged communities. A comprehensive DE&I agenda will also include initiatives to focus on additional aspects such as minimizing the impact of operations on the environment and disadvantaged communities, and diverse representation in the supply chain.

“ Every organization says, ‘Our people are our most important resource’. Stakeholders are now saying ‘Prove it.’ ”

Lee Jourdan
DE&I Expert & FTI Collaborator

Important for CEOs to prioritize (when it comes to promoting DE&I)



Conclusion

As a firm that counsels c-suite leaders on DE&I issues, addressing diversity in your own organization starts with acknowledging the shared human experience. FTI has the tools to guide the first conversations around DE&I to accelerating established DE&I strategies.

Our team of experts works with CEOs to help them build the skills and capabilities needed to lead in an evolving DE&I landscape and create a roadmap to engage authentically with internal and external stakeholders to promote equity and inclusion.



ABOUT THIS SURVEY

FTI Consulting’s Strategic Communications segment conducted a national survey across the United States among 1,012 Employed Professionals of companies greater than 250 employees, as well as 253 Institutional Investors. The survey was conducted online between September 10th and 28th, 2021.

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