



the diversity movement

# In a Recession, Is DEI Essential or Just Nice to Have?

Invest in DEI to boost your brand, keep your people, and protect your business.

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It's summer 2022, and a recession is imminent. What are you doing right now to get ready? As your business recovers from the COVID pandemic and the Great Resignation of the past two years, you literally cannot afford to get this wrong.

- You can't afford to lose your top performers.
- You can't afford to hire mediocre talent.
- You can't afford a disengaged workforce.
- You can't afford risky expenditures without a definite return on investment.
- And, you certainly can't afford the brand damage or legal costs of a compliance lawsuit over pay disparity or discrimination.

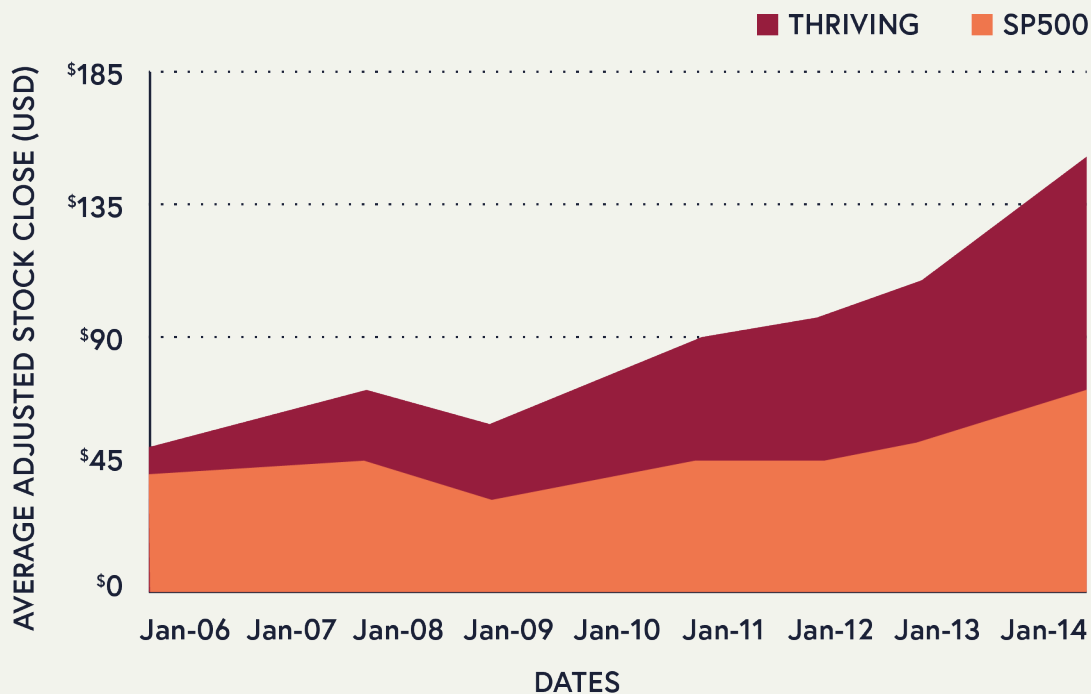
**A lackluster culture can poison your business. Approaching your business strategy with a DEI lens is the only way to thrive.**

In a recession, every decision you make can have exponentially positive or negative effects. Running a tighter business means there is little room for error, so every hire, expense, and investment needs a demonstrable ROI. You haven't reduced your business goals, but now you're working with restricted resources. How do you improve internal efficiency and optimize your existing team?

Diversity, equity, and inclusion (DEI) helps your business thrive in good times and bad. Here is why your current DEI momentum needs to survive the impending recession.

<b>Talent</b> retention and attraction	DEI helps you tap a larger talent pool, improve engagement, increase trust, and reduce turnover.
<b>Brand</b> expansion and perception	Inclusive brands reach more audiences and see higher brand loyalty and better community relations.
<b>Innovation</b> , agility, and resilience	Diverse teams are more innovative. They make stronger decisions, faster.
<b>Risk</b> mitigation and compliance	DEI helps you prove your general business practice, not only ensuring legal compliance but usually pushing far beyond.

The data proves it. Organizations that are consistently inclusive continue to flourish in times of economic uncertainty. One example: **companies with inclusive cultures thrived before, during, and after the Great Recession of 2007-2009, earning a 4x annualized return compared to the S&P 500.** ([Great Place to Work](#))



## In good times and bad, inclusive companies thrive

The [Roaring Out of a Recession](#) study from *Harvard Business Review* teaches these four lessons:

- (1) 17% of companies will not survive a recession.
- (2) Of those that do, 80% will not regain their pre-recession growth rates for sales and profits even 3 years later.
- (3) Only 9% of organizations actually thrive after a slowdown “doing better on key financial parameters than they had before it, and outperforming rivals in their industry by at least 10% in terms of sales and profits growth.”
- (4) These “breakaway companies” use a combination of offensive and defensive tactics to thrive during recession by focusing on long-term goals – instead of short-term cutbacks – and fine-tuning their internal efficiency to meet existing objectives.

The takeaway? **Surviving – and thriving – in a recession means nurturing hyper-efficient employees and teams with a relentless focus on the future.** Navigating the COVID pandemic required organizational agility at a scale we’ve never seen before. Recessions require similar agility – but if you start now, you have a little time to prepare.

## DEI is part of the fabric of how you win

Organizations often cut “non-essential” programs during an economic downturn. Although it might be tempting to toss your diversity initiatives in the non-essential trash heap, those who do put their organizations at high risk for diminished productivity, employee turnover, and extensive brand damage. Here’s what we’ve learned from our experience working with 100+ clients in every major industry.

If you think DEI is non-essential, you probably don’t know what DEI really is. **Diversity, equity, and inclusion as a business growth strategy has little to do with the old-school diversity training of the 1980s and 90s.** In reality, DEI means a measured and strategic approach to workplace culture, brand expansion, talent attraction, employee retention, and risk.

In today’s social context, creating a positive workplace culture where people feel a sense of belonging is no longer just “nice to have.” A healthy culture is a business imperative. Two case studies that prove the point are Fox News Channel’s recent \$15 million payout to veteran newscaster Melissa Francis for pay disparity and the

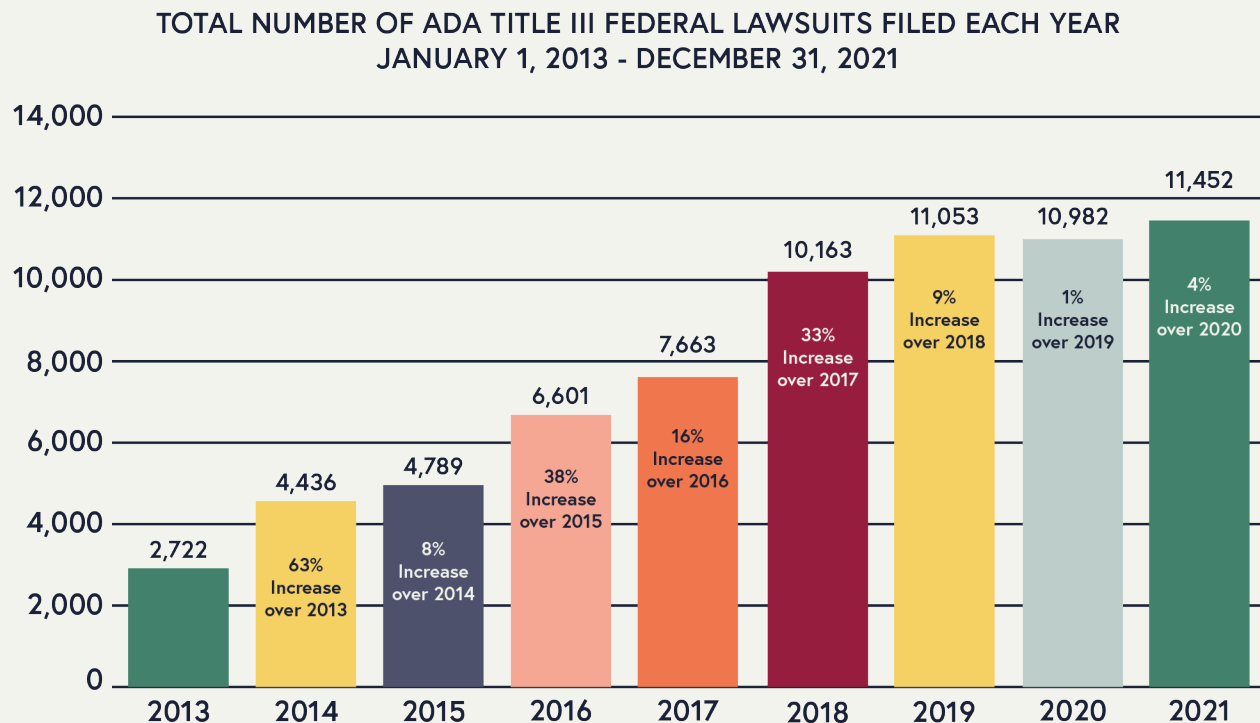


Photo of Melissa Francis

record number of ADA compliance lawsuits filed over web accessibility – more than 11,000 filings in 2021 alone. As the Society for Human Resource Management (SHRM) reports, about 70% of businesses have significant accessibility issues, which means your next lawsuit may be just around the corner.

**Case Study: Fox News forced to pay \$15 million for pay disparity**

## Case Study: ADA lawsuits over website and mobile apps are more common every year



Again, the data supports what we know. Operationalized DEI – that is, systematized and integrated DEI beyond the basic checkbox of diversity education – improves [engagement](#), [productivity](#), [decision-making](#), [innovation](#), and [agility](#) within teams, leading to **higher revenues and profitability through greater efficiency**.

### **Increased productivity means increased profitability with no additional investment**

As data from [Oxford's Saïd Business School](#) confirms, happy employees are 13% more productive every week – a number which equates to nearly one extra hour of work per day, per employee, or five extra hours a week. Happy employees do more and better work. Happy employees do not leave their jobs. By supporting your team through the stresses of life that pervade and surround an economic recession, you increase productivity, improve loyalty, and cultivate a strong employer brand – one where more great people want to work when the recession is over.

The cost of turnover is hugely expensive. On average, research shows it will cost your organization 1.5 to 2 times any person's annual salary to find someone to replace them and nearly 2.5 times that person's salary plus two full years for them to reach full productivity and value. Cultivating a culture of belonging that aligns with personal values through diversity, equity, and inclusion can create feelings of professional happiness that improve business outcomes. Don't underestimate the benefit to your business of happy, engaged, and productive employees.

## **DEI helps you save money, make money, and reduce operational risk**

By investing the necessary time, money, and people to operationalize DEI (an offensive move), organizations are also working defensively to prevent missteps and unlock opportunities that may not be seen by homogeneous or disengaged teams.

As Fortune explains, "diversity and inclusion may be the key to beating the next recession." The authors' conclusion is based on a 2020 study by Great Place to Work that examined a data set of "nearly 4 million employees across a multitude of demographics." The surprising finding was that resilience and agility in a recession have little to do with new products, clever cutbacks, or an emphasis on marketing. Instead, "diversity and inclusion efforts represent a potent source of strength for organizations as they weather tough times."

***"Does a consistently inclusive,  
positive culture predict stock outperformance?  
The answer is a resounding yes."***

***– Ed Frauenheim and Nancy Ceseña, Fortune***



The question is: do you want your organization to be thriving and healthy five years from this moment? Of course you do. Then you've got five years maximum to figure out DEI.

The countdown has already started. Employees, consumers, and clients are demanding DEI in all the places they work, live, shop, and play. You can't afford to let this recession slow or stop your hard-won momentum. There is no other option.





## Why five years?

By 2027, the baby boomer generation will be retiring from the workforce and a good percentage of Generation X will be out – or transitioning out – as well. In five years, Millennial and Gen Z workers (those born after 1981) will compose the vast majority of the workforce and the market. These individuals already hold tremendous cultural power. They're the most diverse generations ever, and they're demanding inclusion, access, and belonging across the globe.

These generations represent your future and present employees, clients, consumers, and stakeholders, which means it's no longer an option to ignore inclusion as a worldwide social movement. In fact, it's time to take the next step.

In 2022, more than 80% of organizations have already taken action on DEI initiatives, according to the [World at Work's "Trends in DEI" report](#). But, most are still resting at the education level. They've implemented education initiatives, but are lacking inclusive practices tied to performance expectations for leaders, as the [NC TECH Diversity Benchmark Initiative](#) details.

## DEI enables every leader and employee to do their job more effectively

What's key is to operationalize diversity, equity, and inclusion by demonstrating – to every leader – how DEI best practices will enable them to perform better at their job. In other words, what's in it for them? For the frontline employee, how will DEI make your job more enjoyable and impactful? For executives, how will it make you money, save you money, or reduce risk?

Let's consider the value of DEI as a business strategy through the lens of multiple C-suite personas.



**Persona:** Chief Human Resources Officer (CHRO)

**Responsible for:** Talent attraction, retention, engagement, and employer brand

### Stats to know:

- More than 3 of 4 job seekers and employees (76%) say a diverse workforce is important to them when deciding where to work ([Glassdoor](#)).
- Businesses with reputable brands receive 50% more qualified applicants ([Finances Online](#)).
- Employees with professional development opportunities are 15% more engaged and have 34% higher retention rates ([Harvard Business Review](#)).
- Happy employees deliver an extra 5.2 hours of work each week and more than 20 extra hours of work a month ([Forbes](#)).

***"It's simple demographic arithmetic:  
Organizations cannot have a robust talent  
strategy without a robust DEI strategy."***

***– Paul Wellener, [Deloitte](#)***





DEI makes hiring and recruitment more efficient, effective, and sustainable. Especially in a recession, when every new hire needs to be the right hire for the right job, inclusive hiring practices and a diverse employer brand help ensure your organization will find – and win – the best candidates. You tap a wider, deeper talent pool, and keep focused on skill set and value alignment instead of unnecessary time-wasters like affinity bias.

Operationalized DEI also improves employee retention and engagement by creating learning opportunities, clear pathways for career advancement, and a culture of belonging. The truth is, turnover is a mostly avoidable expense. But, it's a big one. Current research states, in this particular climate, it will take [42 days and 100 work hours](#) to fill every open role – plus [6-8 months for each new employee to reach their full productivity](#). Right now, you absolutely can't afford to lose a good employee.



**Persona:** Chief Marketing or Sales Officer (CMO or CSO)

**Responsible for:** Brand expansion, reputation, awareness, and growth

#### Stats to know:

- A diverse brand helps you sell more and drive growth across a wider audience. In fact, organizations with operationalized DEI as part of their workplace culture – including their sales and marketing stories – are 70% more likely to capture new markets ([Harvard Business Review](#)).
- 61% of Americans say diversity in advertising is important to their decision-making ([Adobe](#)).
- 38% of consumers say they're more likely to trust brands that show diversity in their ads, and 34% of people say they've already ceased to use a brand that didn't represent their identity in its advertising ([Adobe](#)).

The modern market demands diversity. A diverse and inclusive workplace culture – one where sales and marketing professionals know true best practices for inclusive marketing – helps you expand brand awareness, increase credibility, and refine your messaging. It also reduces the risk of tone-deaf missteps that unintentionally offend and alienate.

Consider the explosive success of Victoria's Secret in the early 2000s, and its subsequent crash-and-burn by 2015. Amid criticism from the market about its one-size, one-look models, more diverse and inclusive brands – like Aerie and ThirdLove – managed to capture huge swaths of its market share. Now, Victoria's Secret is [scrambling to reinvent itself](#) by following in its competitors' footsteps. With a more diverse team and inclusive strategy, they could have been innovators instead. For contrast, take a look at [the explosive growth of Ford F-Series trucks among Black consumers](#) after Ford intentionally expanded its branding to focus on Black consumers.



The takeaway? Inclusive sales and marketing campaigns are now essential, not just “nice to have.” And also, diverse perspectives on your team – plus an inclusive culture where people will actually share their great ideas – expands reach and reduces risk. Operationalized DEI equips your sales and marketing employees with the inclusive language scripts, cultural competence, and tools they need to be effective in any market. It helps them understand and adapt to shifting behaviors and priorities, remaining agile, innovative, and resilient in the face of ever-evolving cultural expectations. By operationalizing DEI best practices, you expand your brand reach, reduce risk, and can better weather the recessionary storm.



**Persona:** Chief Finance Officer (CFO)

**Responsible for:** Mitigating risk, ensuring compliance, and ensuring strong ROI

**Stats to know:**

- Diversity increases innovation 20%, improves decision-making quality 20%, and reduces risk 30% ([Deloitte](#)).
- Teams make better decisions than individuals 66% of the time, and diverse teams make better decisions 87% of the time. Although diversity can increase friction up to 15%, inclusion boosts results 60% ([Cloverpop](#)).
- Teams that follow an inclusive process make decisions 2x faster with 1/2 the meetings ([Bain and Co.](#)).
- Decision-making effectiveness is 95% correlated with financial performance ([Forbes](#)).

Operationalized DEI helps you save money by reducing legal risk. People who feel valued and respected in the workplace are far less likely to file employment law claims. Also, well-executed diversity initiatives deliver communications strategies, resources, and policies that provide the foundation necessary for a strong legal defense. Of course, preventing a lawsuit in the first place is the primary goal. Legal fees alone can cost hundreds of thousands of dollars, even in the event of a win. In addition to legal impacts, the defending organization often suffers significant brand damage in the talent market and with consumers.

By making DEI a part of your DNA, you create standard operating procedures that prevent lawsuits at the ground level by helping you prove your [general business practice](#). Often, that’s all your employment lawyers will need to defend you against lawsuits.





**Persona:** Chief Executive Officer (CEO)

**Responsible for:** Innovation, revenue, and profitability

**Stats to know:**

- Diverse, inclusive organizations report 19% higher innovation revenue ([BCG](#)).
- Companies with above-average diversity are 1.7x more likely to be innovation leaders ([Josh Bersin / Deloitte](#)).
- Organizations with more women executives are more highly likely to have an innovation breakthrough in 2 years ([Harvard Business Review](#)).
- A 1% increase in racial diversity in management increases annual productivity by \$729 per employee and \$1,590 per employee in Fortune 500 firms ([Academy of Management Journal](#)).
- Organizations with gender-diverse executive teams outperform homogeneous teams in profitability by 25%. When those teams are also ethnically and culturally diverse, they outperform in profitability by 36% ([McKinsey and Co.](#))
- Companies that commit to disability inclusion in particular see 28% higher revenue and 30% higher economic profit margins than their peers ([Accenture / Disability: IN](#)).



In a recession, you need to innovate frequently in order to work smarter, faster, and leaner. Diversity drives a culture of innovation to create new product offerings and new processes for greater internal efficiency.

Diverse team members are often on the front lines in serving your customers, clients, and consumers, so they will have the best first-hand knowledge of how your business is really doing. An inclusive culture is critical to hearing the voice of the customer in order to innovate and meet market desires.

DEI helps create a culture where the best idea wins: where everyone knows they are encouraged – and expected – to contribute great work, consistently. Establishing an inclusive culture among team members enables the free flow of ideas. And, with more diverse backgrounds at the table, you reduce risk by considering more perspectives.

## **Diverse and inclusive teams make stronger decisions faster, with reduced risk**

The data is overwhelming, and the return on investment is clear, but the real heartbeat of DEI happens at an individual level. Operationalizing diversity, equity, and inclusion means equipping every employee and leader with the tools they need to create – and take part in – a positive, productive, outcome-driven workplace. It means pushing beyond diversity education to integrate best practices for equity in your organizational policies, and inclusion in your values, vision, and culture.

**In recessionary eras, one might logically think that power shifts to the buyer or employer, but given the global need for intelligent and trained workforces, employees and prospects will retain power and choice.**

***"To weather this storm, you're going to need an efficient, productive, and engaged workforce. That means you need to operationalize DEI as a business strategy. You have five years to figure it out. You can't afford to lose momentum now."***

***– Donald Thompson, CEO and co-founder, The Diversity Movement***





## About The Diversity Movement

The Diversity Movement offers a suite of employee experience applications that personalizes diversity, equity, and inclusion (DEI) for your organization and delivers real-world business outcomes. Our team of experts provides a customized mix of online learning, tools, events, and consulting services that help our partners create future-focused, employee-centered cultures. Learn more at [thediversitymovement.com](https://thediversitymovement.com).

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[Donald Thompson](#), CDE is co-founder and CEO of The Diversity Movement. With two decades of experience growing and leading firms, he is a thought leader on goal achievement, influencing company culture, and driving exponential growth. His book, [\*Underestimated: A CEO's Unlikely Path to Success\*](#) will be published Fall 2022.

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