

Making the business case for diversity and inclusion

Short case studies and research papers that demonstrate best practice in HR

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Over the past few decades, the US workplace has undergone a significant transformation. It continues to become increasingly diverse, and organizations are using this to create a competitive advantage. More than simply acknowledging differences, organizations with successful diversity and inclusion programs are embracing the different qualities in their workforce and learning how to leverage them to support organizational objectives.

It is important to understand that diversity and inclusion are two different concepts:

1. *Diversity* generally focuses on the full spectrum of differences and similarities between individuals. It goes beyond equal employment policies and includes other things such as work experiences, values and beliefs, life experience and personal preferences and behaviors.
2. *Inclusion* is what an organization does – the actions it takes – to ensure that individuals feel welcomed, supported and valued as a member of the team.

Becoming a diverse and inclusive workplace requires a commitment of time, energy and resources on behalf of the employer. Securing approval

for those resources requires making a compelling business case demonstrating that the business results are greater than the resources needed to invest in the initiative.

Determine the business need and engage executives

The first step in making a business case is to identify the business problem, need or opportunity to be addressed. This is a critical step and should be given careful thought as it sets the tone for the project and, if done correctly, provides a clear picture as to how the solution to the problem impacts the organization's needs.

The next step is to assemble a team to research the costs, benefits and challenges of the proposed initiative. In addition to HR, it is important to have representation from various departments such as Operations, Finance and IT, as well as other departments and individuals that may be stakeholders in a diversity and inclusion initiative.

Implementing a diversity and inclusion program requires buy in and support from the organization's executive leadership. According to Deloitte Consulting's (2017) *Global Human Capital Trends: Rewriting the*

rules for the digital age, diversity and inclusion are now a CEO-level issue. CEOs view having a diverse and inclusive workforce as important because it affects the organization's brand, reputation and performance. This is good news for HR professionals.

Quantify the benefits and costs

The benefits and costs of a diversity and inclusion program should be quantified as accurately as possible and are usually categorized as either tangible (measurable in monetary terms) or intangible (subjective and not measurable in monetary terms).

Both have a different but significant business impact and can help organizations overcome some of the business challenges they currently face in an increasingly global workforce.

Tangible benefits

Tangible benefits are usually measurable in monetary terms. For example, diversity and inclusion initiatives can minimize financial and reputational costs associated with employment discrimination claims. Other examples of tangible benefits related to having a diverse workforce include:

- *Increased market share.* Having a diverse workplace allows organizations to more effectively market, better serve and communicate to consumer groups from different cultures, races and religious backgrounds, which in turn may lead to increased sales and profits and access to a more diverse market.
- *Productivity and innovation.* Diversity widens viewpoints and takes different ideas and perspectives into account. This can translate into creating richer solutions, obtaining better results and maximizing productivity, innovation and creativity.
- *Employee attraction and retention.* Recruiting from a diverse pool of candidates increases an employer's chances of finding the best person for the job. Once on board, employees that feel valued and respected and that are part of an inclusive work environment are less likely to leave. Doing both of these successfully can help reduce expenses related to recruitment and retention.

Intangible benefits

Intangible benefits are subjective and not measurable in monetary terms. For example, diversity and inclusion initiatives can potentially increase employee satisfaction, but how would that be quantified? Other examples of intangible benefits related to having a diverse workforce include:

- *Improved employer brand and reputation.* Fair treatment is important to employees, and a diverse workforce can make an employer more attractive to investors and improve the organization's public image.
- *A positive and healthy work environment.* Diversity can lead to an atmosphere of respect, mutual understanding, tolerance and enhanced teamwork.
- *Opportunities for employee growth and development.* Employees may be challenged when exposed to new ideas and perspectives and when personal growth is encouraged.

Costs of the program

The costs of implementing a diversity and inclusion program should also be quantified as accurately as possible. It is important to identify all the resources and associated costs of the resources required to implement the program, such as costs related to:

- the use of consultants;
- training and educating the workforce;
- hiring independent contractors;
- potential policy changes and related implementation costs; and
- communicating the program.

It is also important to note potential costs associated with "execution risk" which is the risk of a plan not working or taking longer than anticipated to implement. Execution risk is prevalent when implementing programs affecting organizational change, such as initiating a diversity program.

Measure the return on investment

Once the costs and benefits have been calculated, forecast the return on investment (ROI) of the program. ROI is calculated as the benefits (or gain) from an investment, minus the cost of the investment, divided by the investment costs and multiplied by 100:

$$\text{ROI} = \frac{(\text{Benefits (or Gain) from Investment} - \text{Cost of Investment})}{\text{Cost of Investment}} \times 100$$

The forecasted ROI can make or break a business case for a project.

Here is a practical example to illustrate

Through employee survey results, Acme, Inc, determined its employees did not feel the organization promoted a diverse and inclusive workplace. HR conducted follow-up focus groups and determined the organization should implement a diversity training program for all employees and forecast the annual benefits and costs of the program as \$336,418 and \$61,700, respectively. Using this information, the ROI is:

$$\begin{aligned} \text{ROI} &= (\$336,418 \\ &\quad - \$61,700) / \$61,700 \\ &\quad \times 100 = 445\% \end{aligned}$$

This means Acme can expect to see a net return of \$4.45 for every \$1 it invests in the diversity training program.

Make the business case

The last step is to present the business case for why implementing a diversity and inclusion program makes good business sense. When presenting the business case to stakeholders, make sure to:

- identify the business problem, need or opportunity being addressed by the diversity and inclusion program;
 - list the benefits, tangible and intangible, of addressing the business problem, need or opportunity;
 - describe the alternative actions considered and the reasons why certain options were selected or rejected;
 - describe comparable diversity programs implemented by competitors or industry leaders and their business results;
 - discuss the required investment and timeline needed to implement the diversity program;
 - share the ROI analysis for implementing the diversity and inclusion program;
- list actions that should be taken subsequent to introducing the program to ensure the initiative is implemented as planned;
 - plan for measurement of the actual business results generated by the HR initiative and the timeline for the measurement; and
 - plan for reporting the business results of the program to decision makers.

Measure outcomes and communicate success

Measuring and effectively communicating the short- and long-term successes of the diversity program can help improve employer brand and recognition. To help understand what is, or is not working, consider comparing year-to-year figures for the following:

- *hiring statistics* to see if there is an increase in hiring for minority or other identified groups of employees;
- *employee survey results* to see if employees see improvements in diversity at the workplace;
- *turnover* to determine how many minority or other identified groups of employees leave the organization; and
- *retention* to see if there is improvement in retaining minority or other identified groups of employees.

It is important to demonstrate the ROI of the diversity program and how important it is to the business. There are a number of different ways to communicate the program such as town hall meetings and community presentations, press releases, brochures, infographics and pamphlets. Regardless of the method used, make sure that your communication tools represent the diversity and inclusion the organization is trying to promote.

References

Deloitte Consulting's (2017), *Deloitte Consulting's 2017 Global Human Capital Trends Report*, available at: <https://dupress.deloitte.com/dup-us-en/focus/human-capital-trends.html> (accessed 21 August 2017).

Further reading

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How to Measure the ROI of an HR Initiative. (2017), available at: www.xperthr.com/how-to/how-to-measure-the-roi-of-an-hr-initiative/26421/ (accessed 21 August 2017).

How to Create a Diverse Workforce. (2017), available at: www.xperthr.com/how-to/how-to-create-a-diverse-workforce/5458/ (accessed 21 August 2017).

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