



SHRMTM

SOCIETY FOR HUMAN
RESOURCE MANAGEMENT

Building the Business Case for Diversity

May 22, 2008

Shirley A. Davis, Ph.D.

Director

Diversity & Inclusion Initiatives

SHRM

Eric C. Peterson, MSOD

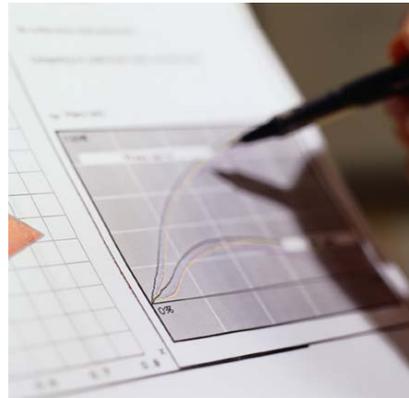
Manager

Diversity & Inclusion Initiatives

SHRM



***What is the
“Business Case
for Diversity”?***



***Why is it
important to build
the Business
Case?***



***How one can
create and
leverage the
Business Case
within his/her
organization***

First things first ...

- There are many reasons why an organization might/ should focus on Diversity.
- Usually, these fall under two broad themes: the *Values Case* and the *Business Case*.

Values Case	Business Case
<i>“It’s the right thing to do, and will make our people happier.”</i>	<i>“It’s the smart thing to do, and will improve our bottom line.”</i>

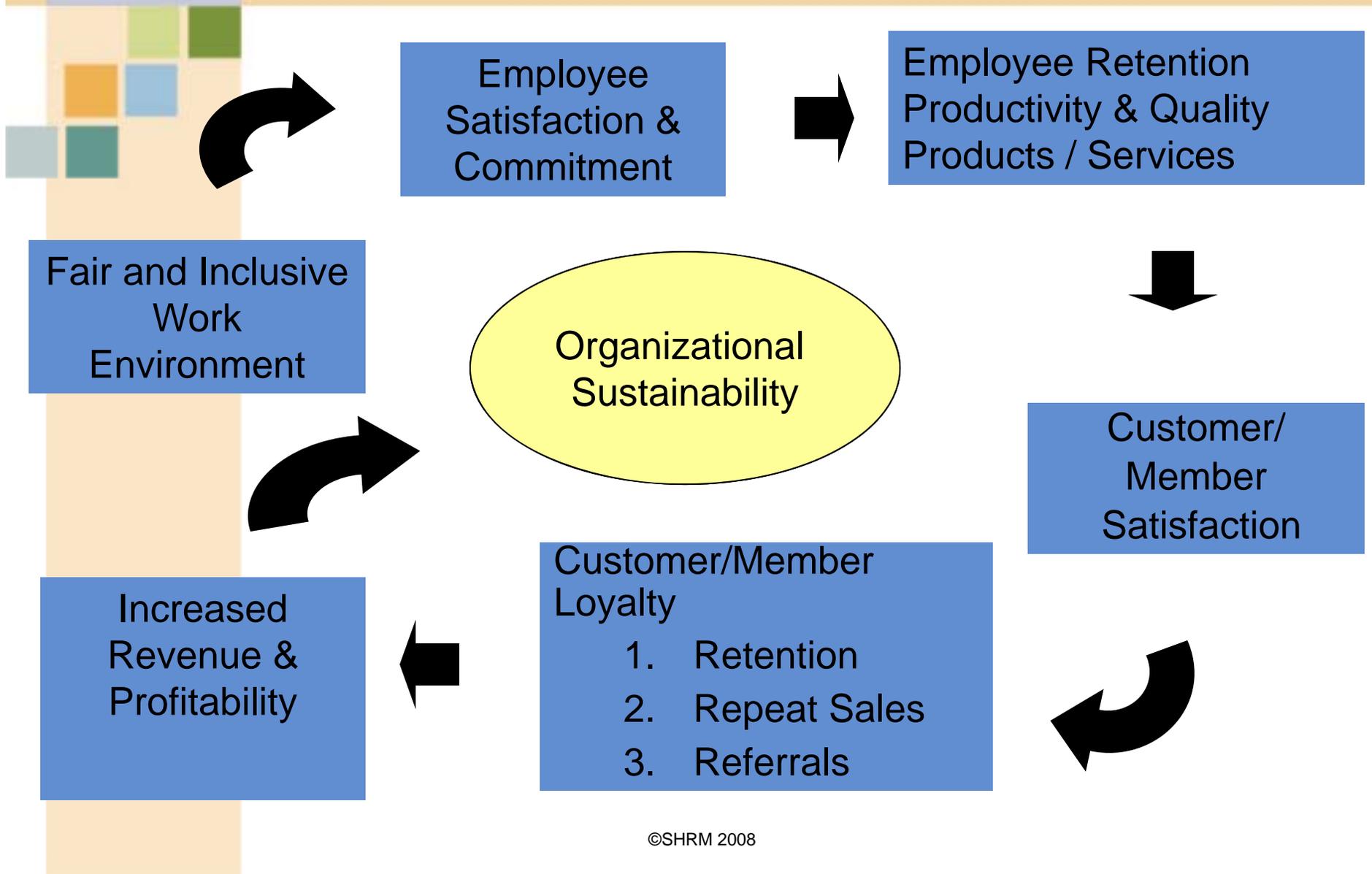
- Both the Values Case and the Business Case are important and necessary; they do not contradict each other, but rather complement each other.

Why is a Business Case Important?

After all, why isn't “doing the right thing” enough?

- Strategic Diversity Management Plans depend on the commitment of many people in the organization, not the least of which are your CEO or equivalent, and Senior Leadership Team.
- These leaders are naturally focused on the financial health and well-being of the organization.
- A strong business case for diversity will clearly show that creating a diverse and inclusive workplace will benefit everyone in the organization, by making the organization stronger, more resilient, and more competitive.

The Business Case for Diversity



The Business Case for Diversity (cont'd)



The Business Case for Diversity (cont'd)

Diversity & Inclusion helps the business's bottom line in the following ways:

1. Greater adaptability and flexibility in a rapidly changing marketplace

Source: Lockwood, N., June 2005, "Workplace Diversity: Leveraging the Power of Difference for Competitive Advantage", Research Quarterly. Society for Human Resource Management: www.shrm.org/hrresources

The Business Case for Diversity (cont'd)

Diversity & Inclusion helps the business's bottom line in the following ways:

1. Greater adaptability and flexibility in a rapidly changing marketplace
2. Attracting and retaining the best talent

Source: Lockwood, N., June 2005, "Workplace Diversity: Leveraging the Power of Difference for Competitive Advantage", *Research Quarterly*.
Society for Human Resource Management: www.shrm.org/hrresources

The Business Case for Diversity (cont'd)

Diversity & Inclusion helps the business's bottom line in the following ways:

1. Greater adaptability and flexibility in a rapidly changing marketplace
2. Attracting and retaining the best talent
3. Reducing costs associated with turnover, absenteeism and low productivity

Source: Lockwood, N., June 2005, "Workplace Diversity: Leveraging the Power of Difference for Competitive Advantage", *Research Quarterly*.
Society for Human Resource Management: www.shrm.org/hrresources

The Business Case for Diversity (cont'd)

Diversity & Inclusion helps the business's bottom line in the following ways:

1. Greater adaptability and flexibility in a rapidly changing marketplace
2. Attracting and retaining the best talent
3. Reducing costs associated with turnover, absenteeism and low productivity
4. Return on investment from various initiatives, policies and practices

Source: Lockwood, N., June 2005, "Workplace Diversity: Leveraging the Power of Difference for Competitive Advantage", *Research Quarterly*.
Society for Human Resource Management: www.shrm.org/hrresources

The Business Case for Diversity (cont'd)

Diversity & Inclusion helps the business's bottom line in the following ways:

1. Greater adaptability and flexibility in a rapidly changing marketplace
2. Attracting and retaining the best talent
3. Reducing costs associated with turnover, absenteeism and low productivity
4. Return on investment from various initiatives, policies and practices
5. Gaining and keeping greater/new market share (locally and globally) with an expanded diverse customer base

Source: Lockwood, N., June 2005, "Workplace Diversity: Leveraging the Power of Difference for Competitive Advantage", Research Quarterly, Society for Human Resource Management: www.shrm.org/hrresources

The Business Case for Diversity (cont'd)

Diversity & Inclusion helps the business's bottom line in the following ways:

1. Greater adaptability and flexibility in a rapidly changing marketplace
2. Attracting and retaining the best talent
3. Reducing costs associated with turnover, absenteeism and low productivity
4. Return on investment from various initiatives, policies and practices
5. Gaining and keeping greater/new market share (locally and globally) with an expanded diverse customer base
6. Increased sales and profits

Source: Lockwood, N., June 2005, "Workplace Diversity: Leveraging the Power of Difference for Competitive Advantage", Research Quarterly, Society for Human Resource Management: www.shrm.org/hrresources

The Business Case for Diversity (cont'd)

Diversity & Inclusion helps the business's bottom line in the following ways:

1. Greater adaptability and flexibility in a rapidly changing marketplace
2. Attracting and retaining the best talent
3. Reducing costs associated with turnover, absenteeism and low productivity
4. Return on investment from various initiatives, policies and practices
5. Gaining and keeping greater/new market share (locally and globally) with an expanded diverse customer base
6. Increased sales and profits
7. Mitigate and minimize legal risks

Source: Lockwood, N., June 2005, "Workplace Diversity: Leveraging the Power of Difference for Competitive Advantage", Research Quarterly, Society for Human Resource Management: www.shrm.org/hrresources

1. Greater flexibility and adaptability

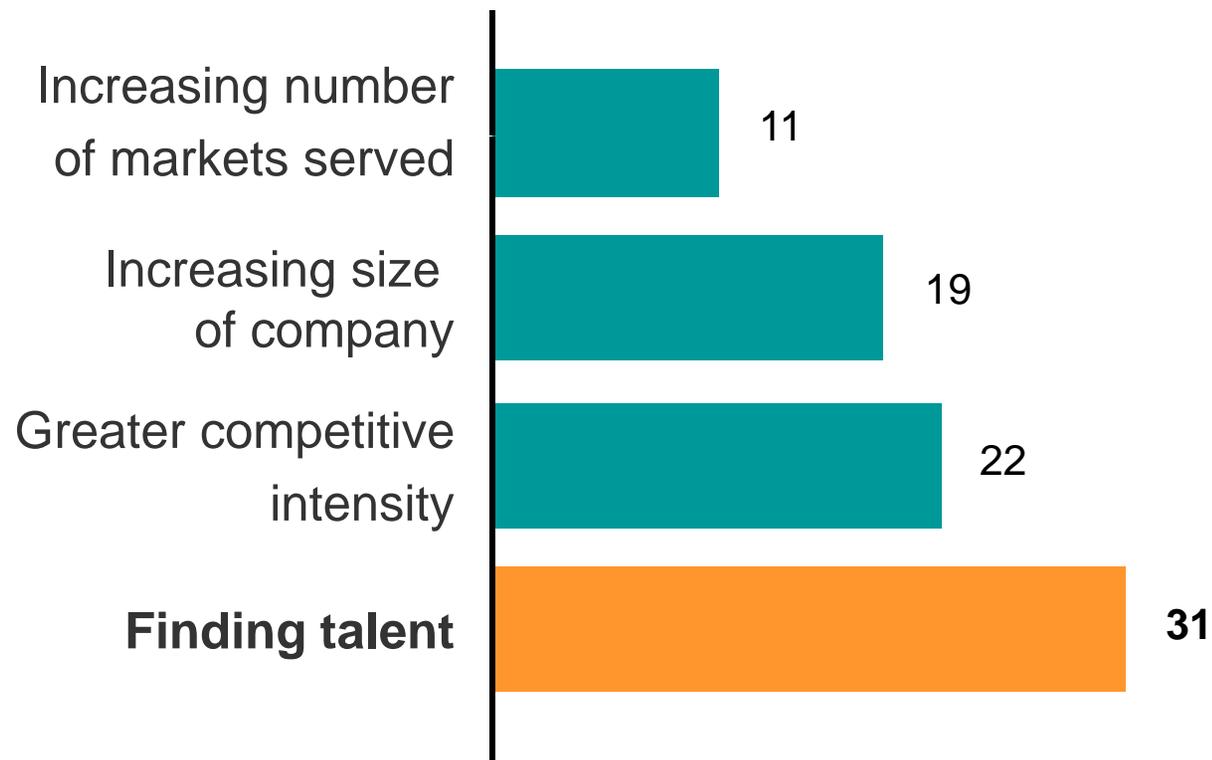
- The workforce continues to change demographically and globally.
- Organizations need to be able to flex and adapt in times of increasing complexity and change.
 - > Technology
 - > Policies/Processes
 - > Producers/Services
- Customer Service: Diverse organizations are better able to serve a diverse customer/client base.

2. Attracting and Retaining the Best Talent

- Which do you believe?
 1. Talent ***exists independently of*** variables such as race, gender, sexual orientation, ability, religion, marital/parental status, or socio-economic background, or
 2. Talent ***is tied to*** variables such as race, gender, sexual orientation, ability, religion, marital/parental status, or socio-economic background.
- If #1, how much **talent** does your organization currently have access to?
- We are about to face a talent shortage due to baby boomer retirement – are you prepared?

2. Attracting and Retaining the Best Talent (cont'd)

Finding talent is seen as the most important management challenge facing business executives in the next 5 years



Source: McKinsey & Company

2. Attracting and Retaining the Best Talent (cont'd)

- Building leadership capability starts with creating a culture that makes employees want to stay
- Ensuring that all employees have full and equal access to opportunities
- Implementing leading-edge talent management programs such as:
 - > Mentoring
 - > Cross-functional development assignments
 - > Job rotations
 - > Special assignments
 - > Career pathing
 - > Skills inventories
 - > Succession planning
 - 55% of employers are already doing succession planning

3. Turnover, Absenteeism, Low Productivity

When an employee perceives that a company and its leadership are committed to a diverse and fair workplace, they are:

- More likely to stay with that company
- More likely to recommend their company to others
- Less likely to have experienced discrimination
- Less likely to have missed days at work
- More engaged in their work

Source: Gallup Organization, "Civil Rights in the Workplace Survey," 2005

3. Turnover, Absenteeism, Low Productivity (cont'd)

- Each year, more than **2 million** people voluntarily leave organizations due to perceived unfairness (cumulative comments/jokes, unfair policies, perceived invisibility)
- This trend costs U.S. corporation **\$64 billion** each year
- This figure is nearly equivalent to the combined revenues of Google, Goldman Sachs, Starbucks, and Amazon.com, and does not include costs associated with litigation or loss of reputation

Source: Level Playing Field Institute, "The Corporate Leavers Survey," 2007, LPFI.org

4. Return on Investment

As HR practitioners, we tend to speak in terms of HR outcomes. Examples:

- Hire the best and most qualified talent—a more diverse workforce; greater representation
- Increased retention of our minority employees
- Greater pay equity, fairness for employees
- Movement of xx% on employee engagement/attitude survey results
- External recognition & awards/lists
- A more inclusive work environment
- Number of employees trained

4. Return on Investment (cont'd)

On the other hand, executives speak in terms of business outcomes. For example:

- Increased Revenues; Profitability
- Increased Market Share; Market Expansion
- Innovative/Quality Solutions/Product Development
- Stock Price Performance
- Return on Investment
- Customer/Member Satisfaction & Retention Results
- Competitive Index
- Productivity
- Process/Product Improvements

Note: We should not try to convince them to speak our language, we have to speak theirs. When we continue to speak only in terms of HR outcomes we continue to have to sell/justify our value.

5. Greater/New Market Share

Improved customer service may be the most compelling and least leveraged business case of them all. Consider the following:

- **Women**
 - > By 2010, women are expected to control \$1 trillion, or 60% of the country's wealth.
- **African-American market**
 - > Estimated **\$723 billion** in purchasing power, growing by **127%** between 1990 and 2003
- **Hispanic/Latino market**
 - > Purchasing power in the U.S. is **\$686 billion** and projected to reach **\$1 trillion** by 2010.
- **Asian American market**
 - > Buying power is estimated at **\$400 billion**
- **Native American market**
 - > **\$48 billion** in discretionary spending power
- **People with Disabilities**
 - > **\$220 billion** in discretionary spending power
- **GLBT market**
 - > Total buying power of the U.S. gay, lesbian, bisexual and transgender adult population is estimated to be **\$641 billion**.
- **Traditionalist/Baby Boomer market**
 - > **\$1.7 trillion** in buying power; accounts for 50% of all discretionary income.

6. Increased Sales and Profits

Over a 10-year period, the index of publicly traded companies in *DiversityInc's* Top 50 Companies for Diversity list **outperformed** the:

- NASDAQ by 28%
- Standard & Poor's 500 by 25%
- Dow Jones Industrial Average by 22%



7. Mitigate and Minimize Legal Risk

- Over the past 10 years, major race and gender discrimination lawsuits cost U.S. corporations **\$2.3 billion** in settlements alone.
- In FY 2007, there were **17,734** disability discrimination charge filings.
- In the same year, there were **2,880** religion-based discrimination charge filings

Source: U.S. Equal Employment Opportunity Commission; <http://www.eeoc.gov/>

7. Mitigate and Minimize Legal Risk (cont'd)

What can you do?

- ❑ Develop solid working relationships with the CEO, General Counsel and senior leaders in the organization
- ❑ Be proactive in establishing fair, consistent and inclusive policies, practices, and programs
- ❑ Ensure representation at all levels in the organization
- ❑ Respond to employee complaints/concerns in a timely manner
- ❑ Leverage tools that will provide insight into the heart of the culture of the organization

How to Build the Business Case

1. Start by gathering data about your organization

- Determine who your advocates are in the C-suite
- Analyze the turnover rates in your organization
 - > Who's leaving?
 - > Why?
- Determine if “cherry-picking” occurs too frequently
 - > Promotions
 - > succession planning
 - > assessment ratings
 - > special assignments
 - > new business/clients
- List the most common complaints reported by your Employee Relationship Manager or Affinity Groups
- Research what complaints have been filed with the EEOC, settlements paid, and consent decrees
- Analyze your organization’s modes of communication and their effectiveness

How to Build the Business Case (cont'd)

1. Start by gathering data about your organization (cont'd)

- Determine what your competitors are doing around diversity
- Describe your organization's previous "start and stop" efforts around diversity
 - > Did they succeed?
 - > Why? Why not?
 - > Who led it? At what level?
- Assess your organization's overall readiness for change
- Assess the appetite for Diversity & Inclusion work at senior levels in your organization
- Research past and current employee engagement survey results
- Analyze hiring trends and practices
 - > Where are you recruiting?
 - > Who do you continue to attract and target?
 - > Who are you partnering with?

How to Build the Business Case (cont'd)

2. Identify/describe the Key Business Objectives of your Organization

- List the Key Business drivers of the organization, according to your CEO
- Determine how Diversity & Inclusion ties in to these objectives

For instance ...

Key Business Objectives	Strategic Diversity Objectives
<ul style="list-style-type: none"> • Increase market share for cell phones and MP3 players • Globalization of our market; opening new offices in Brazil and China • Greater cost efficiency across the board 	<ul style="list-style-type: none"> • Focusing on the hiring and retention of people of color in sales and marketing will allow us to break into a previously untapped market with an estimated \$1T of buying power. • Developing culturally competent managers is vital to the success of our globalization efforts, up to and including immersion programs in global settings. • Our organization typically spends \$3 thousand on recruiting and onboarding each new hire; increasing retention by 10% will save over \$2 million in the next five years alone.

How to Build the Business Case (cont'd)

3. Assess your own competencies

- Who is the right person for this job?
- Does s/he possess the knowledge, skills, and abilities necessary to make real, lasting change?
 - ✓ Organizational theory
 - ✓ Political Savvy
 - ✓ Teaching/Coaching Others
 - ✓ Sales & Marketing
 - ✓ Big-Picture Strategic Thinking
 - ✓ Influence & Negotiation
 - ✓ Conflict Mediation
 - ✓ Data Gathering and Analysis
 - ✓ Active Listening
 - ✓ Investigation
 - ✓ Business Leadership
 - ✓ Change Management
- What are his/her biases and prejudices? Is s/he able to manage around them?
- Does s/he possess the cultural competency necessary to do this challenging work?

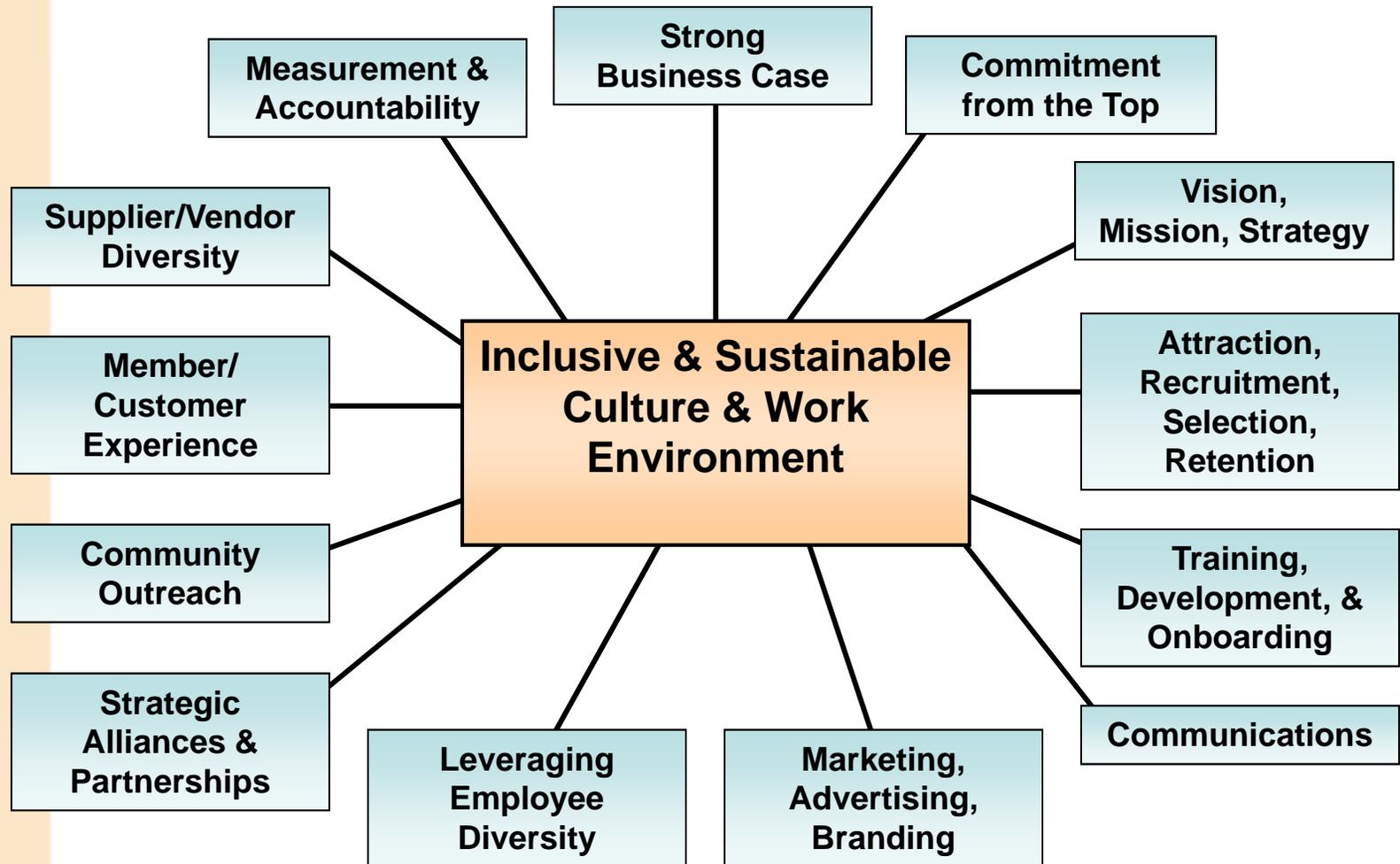
How to Build the Business Case (cont'd)

4. Create and present a compelling Diversity Plan

- Invite all key stakeholders to give input to the Strategic Diversity Management Plan
- Discuss your organization's current state
- Describe where you need to be (Vision, Mission, and Purpose)
- Explain how you'll get there
- Describe how this Diversity Plan will bring added value to the organization



The Strategic Diversity Management Plan



In closing ...

- Building a **strong business case** (and values case) is the first and most important step in gaining support and commitment for your initiative
- Diversity & Inclusion, when managed well, will improve your bottom line and ensure your organization's viability.
- The task of creating and implementing a Strategic Diversity Management Plan is complex (but necessary) work
- A Diversity Practitioner must also be a Strategic Business Manager
 - > Enlist performers, owners, and champions throughout the organization
 - > Remember ...you are the **architect**, not the **owner** of the work



SHRM[™]

SOCIETY FOR HUMAN
RESOURCE MANAGEMENT

Mark Your Calendars!



SHRM's 2008 Diversity Conference
will be held in Atlanta, Georgia
at the Atlanta Marriott Marquis
October 27-29, 2008

Confirmed Keynote Speakers to Date:

Bill Strickland, an extraordinary community leader
(and subject of an upcoming HBO movie)

Lisa Ling, correspondent for National Geographic and
the Oprah Winfrey Show

Frans Johansson, author of *The Medici Effect*

A **Chief Diversity Officers Panel** featuring CDOs from
Coca-Cola, SodexoUSA, and Merck & Co.

... plus, networking and a wealth of valuable
workshops on the topic of Diversity & Inclusion!

Visit <http://www.shrm.org/conferences/diversity/>