Today’s Discussion

**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.

<table>
<thead>
<tr>
<th>Values Case</th>
<th>Business Case</th>
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<tbody>
<tr>
<td>“It’s the right thing to do, and will make our people happier.”</td>
<td>“It’s the smart thing to do, and will improve our bottom line.”</td>
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• **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

Employee Satisfaction & Commitment

Employee Retention
Productivity & Quality
Products / Services

Organizational Sustainability

Customer/Member Satisfaction

Customer/Membership Loyalty
1. Retention
2. Repeat Sales
3. Referrals

Increased Revenue & Profitability

Fair and Inclusive Work Environment

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The Business Case for Diversity (cont’d)

From Current Workforce to Diversity Outcomes Workforce with Best Talent

- Workplace Inclusive Work Environment
- Community Positive Reputation In all Communities
- Marketplace Customer/Member Satisfaction
- Suppliers Mutually Beneficial Partnership

To Business Outcomes Quality Solutions
- Increased Performance & Innovation
- New and Emerging Markets, Services, Products
- Customer/Member and Employee Attraction and Retention
- Potential gains in service, quality and cost savings

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6. Increased sales and profits
7. Mitigate and minimize legal risks

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.

- Increasing number of markets served: 11
- Increasing size of company: 19
- Greater competitive intensity: 22
- Finding talent: 31

Source: McKinsey & Company

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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

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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

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.

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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%


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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

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
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?
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 …

<table>
<thead>
<tr>
<th>Key Business Objectives</th>
<th>Strategic Diversity Objectives</th>
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<tbody>
<tr>
<td>• Increase market share for cell phones and MP3 players</td>
<td>• 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.</td>
</tr>
<tr>
<td>• Globalization of our market; opening new offices in Brazil and China</td>
<td>• Developing culturally competent managers is vital to the success of our globalization efforts, up to and including immersion programs in global settings.</td>
</tr>
<tr>
<td>• Greater cost efficiency across the board</td>
<td>• 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.</td>
</tr>
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</table>
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  ✓ Conflict Mediation
  ✓ Political Savvy  ✓ Data Gathering and Analysis
  ✓ Teaching/Coaching Others  ✓ Active Listening
  ✓ Sales & Marketing  ✓ Investigation
  ✓ Big-Picture Strategic Thinking  ✓ Business Leadership
  ✓ Influence & Negotiation  ✓ 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?
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

Inclusive & Sustainable Culture & Work Environment

- Measurement & Accountability
- Supplier/Vendor Diversity
- Member/ Customer Experience
- Community Outreach
- Strategic Alliances & Partnerships
- Leveraging Employee Diversity
- Vision, Mission, Strategy
- Attraction, Recruitment, Selection, Retention
- Training, Development, & Onboarding
- Marketing, Advertising, Branding
- Communications
- Commitment from the Top
- Strong Business Case

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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.
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 Johannson**, 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/](http://www.shrm.org/conferences/diversity/)