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How DEI Impacts the Bottom Line

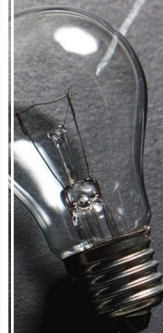
Patti P. Phillips, Ph.D., CEO, ROI Institute, Inc.

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Session Objectives

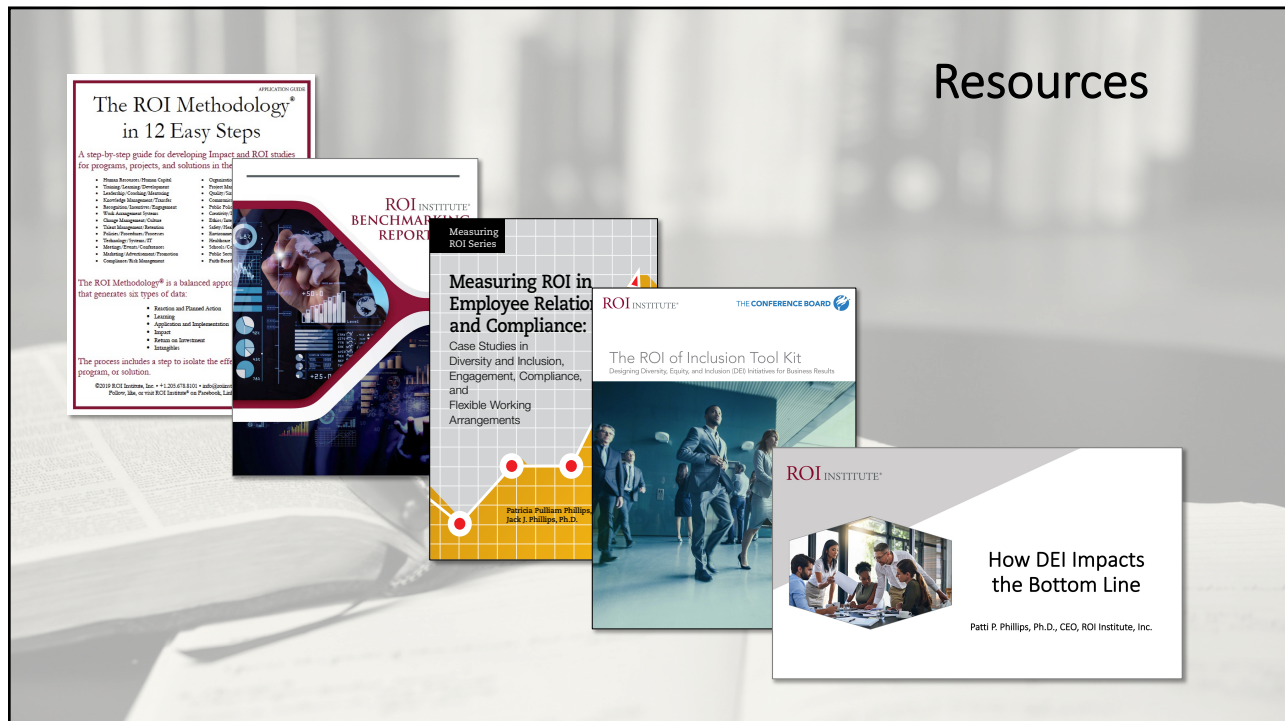
This session will show you how to prove the value of your DEI programs. You will learn:

1. Five levels of outcomes of DEI solutions
2. A process model to develop reliable data including ROI
3. Considerations when making the business case for DEI
4. Practical insights to get you started



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Resources



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Poll: In which activities does your company invest?

- A. Company-recognized employee groups (e.g., ERGs, BRGs)
- B. External partnerships focused on DEI activities (e.g., suppliers)
- C. Unconscious bias training, specifically
- D. Leadership training with a focus on inclusive leadership skills
- E. Other

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Which activities take on the highest proportion of your organization's yearly DEI budgets in the current fiscal year? (Select top 3)

DEI Program	Percentage of Respondents
Company-recognized employee groups (e.g., ERGs, BRGs)	42%
External partnerships focused on DEI activities	38%
Any diversity and inclusion training, no including unconscious bias training	28%
Unconscious bias training	28%
Diversity recruitment and hiring programs	23%
Leadership training with a specific focus on inclusive leadership skills	17%
High-potential leadership development programs	13%
Networking events and activities with a focus on DEI	8%
External recognition activities focused on DEI	8%

Source: The Conference Board The ROI of Inclusion: How to Align Diversity, Equity, and Inclusion with Business Results (2021)

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The Need to Deliver Impact & ROI

- Workforce Management estimates that companies spend a combined **\$8 billion on diversity and inclusion training annually**, while Human Resource Management Journal reports that diversity and inclusion consultants earn a combined **\$400 million to \$600 million annually in consulting fees alone**.¹
- While survey data indicate that **high performing organizations** are **four times more likely** to provide development education to senior leaders for conscious/unconscious bias than low-performance organizations,² research studies have also shown **these types of trainings to be ineffective** in increasing numbers of the underrepresented, much less driving business value.
- Even the tried-and-true **employee groups** (also known as employee resource groups, affinity groups, business resource groups) **struggle to survive** the oscillating interest.³
- Add to this issue the struggles **DE&I executives face** when asked to drive efforts. If they go too slow in making change, **they are criticized**. If they go too fast, **they may be fired**.⁴
- "It's time to move from saying, **"We need to do this."** to asking **"What are we doing with this?"**⁵

¹ 2020 Working Mother Diversity Best Practices.

² D&I Metrics Survey Analysis. (2019). Institute for Corporate Productivity. Retrieved from <https://www.icp.com/file/1985>

³ Sabatini, L., Ye, Amy, Popiel, A. and Horan, J. (2020) What's Next for Employee Groups? The Conference Board, Research Report 1712-20.

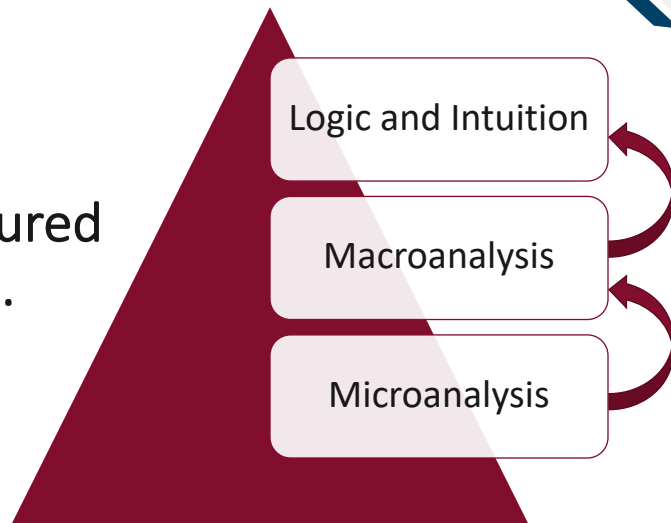
⁴ Cutter, C., and Weber, L. (2020, July 14). Diversity Role is Hot, But Turnover is High, *The Wall Street Journal*, p.A1, A4.

⁵ Stoll, John D. (2020, June 27-28). Pressure is on to Pivot from Say to Do, *The Wall Street Journal*, p.B2.

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Value in DEI is measured
in different ways.



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Five levels of outcomes represent a chain of impact.

Levels of Evaluation	Measurement Focus	Typical Measures
0. Inputs	The input into the project in terms of scope, volume, efficiencies, costs	Participants, Hours, Costs, Timing
1. Reaction & Planned Action	Measures participant satisfaction and captures planned actions, if appropriate	Relevance, Importance, Usefulness, Appropriateness, Intent to use, Motivation to act, Net Promoter Score
2. Learning	Measures changes in knowledge, skills, and attitudes	Skills, Knowledge, Capacity, Competencies, Confidence, Mindset, Contacts
3. Application & Implementation	Measures changes in behavior or actions	Extent of use, Task completion, Frequency of use, Actions completed, Behavior change, Success with use, Barriers to use, Enablers to use, Utility, Scrap
4. Impact	Measures changes in impact variables	Productivity, Revenue, Quality, Time, Efficiency, Customer satisfaction, Patient satisfaction, Employee engagement, Talent mobility, Innovation
5. Return on Investment	Compares project benefits to the costs	Benefit-Cost Ratio (BCR), ROI%, Payback Period

Katzell developed four steps of training evaluation; Kirkpatrick wrote about four steps of training evaluation; Phillips added economic theory and operationalized the framework by adding process and standards and applying it in practice.

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Three Categories of Impact Data

Representation Measures	Preventive Measures	Value-Add Measures
• Gender • Race/color • Age/generational • Disabilities • Military veterans • National origin • Sexual orientation • Skills • Experience • Religious affiliation	• Complaints • Charges • Lawsuits • Conflicts • Inclusion • Job satisfaction • Engagement • Absenteeism • Turnover • Transfers	• Revenue • Productivity • Quality • Cost • Time • Efficiencies • Innovation • Brand • Societal contribution • Environmental impact

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ROI Calculation

$$\text{BCR} = \frac{\text{Program Benefits}}{\text{Program Costs}} =$$

$$\text{ROI} = \frac{\text{Benefits} - \text{Costs}}{\text{Costs}} \times 100 =$$



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ROI Calculation

$$\text{BCR} = \frac{\$756,000}{\$339,400} =$$

$$\text{ROI} = \frac{\$756,000 - \$339,400}{\$339,400} \times 100 =$$



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Characteristics of Investments Suitable for Impact & ROI

Life cycle of the program

Linkage of program to operational goals and issues

Importance of program to strategic objectives

Top administrator interest in the evaluation

Cost of the program

Visibility of the program

Size of target audience

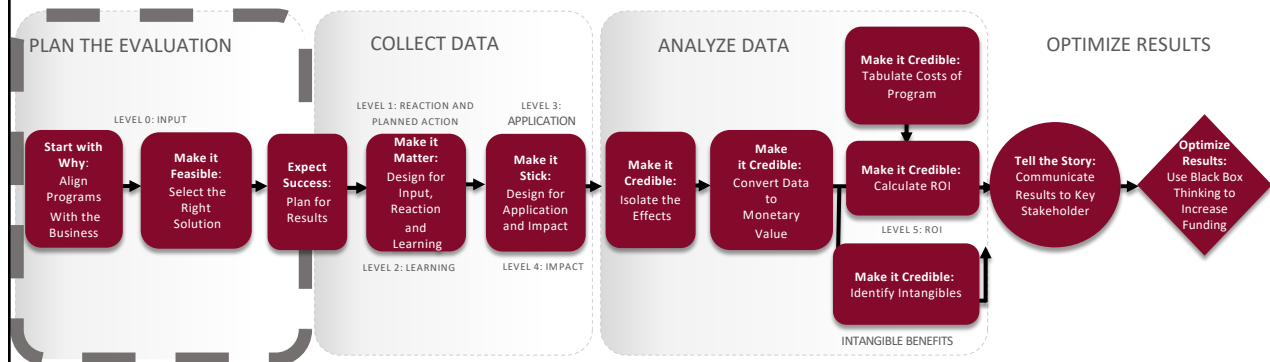
Investment of time required

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The ROI Methodology Process Model

Designing for the Delivery of Business Results



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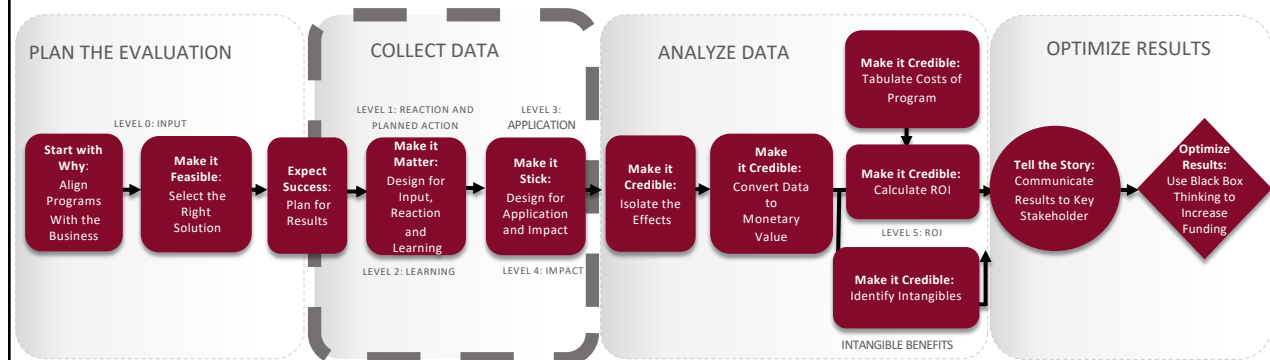
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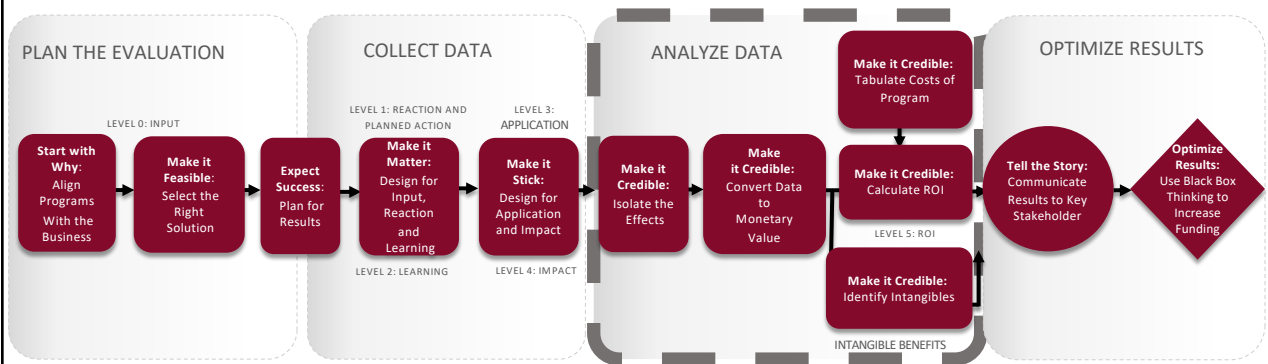
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The ROI Methodology Process Model

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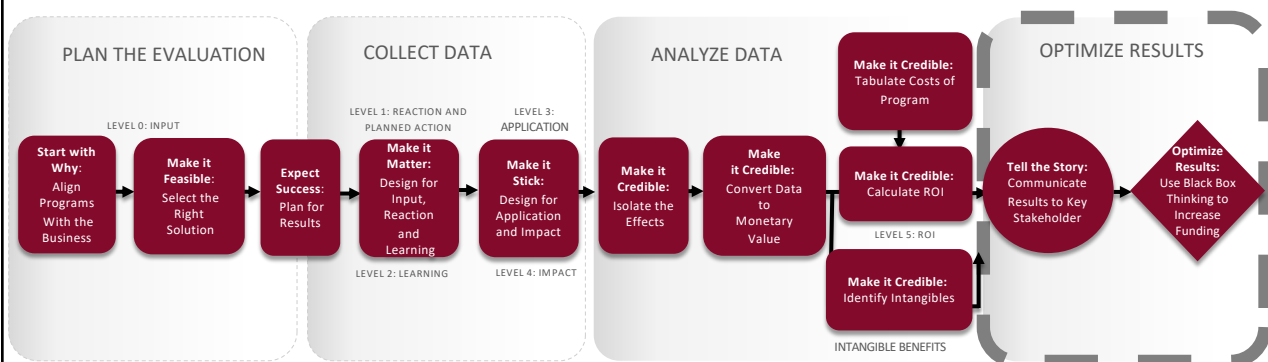
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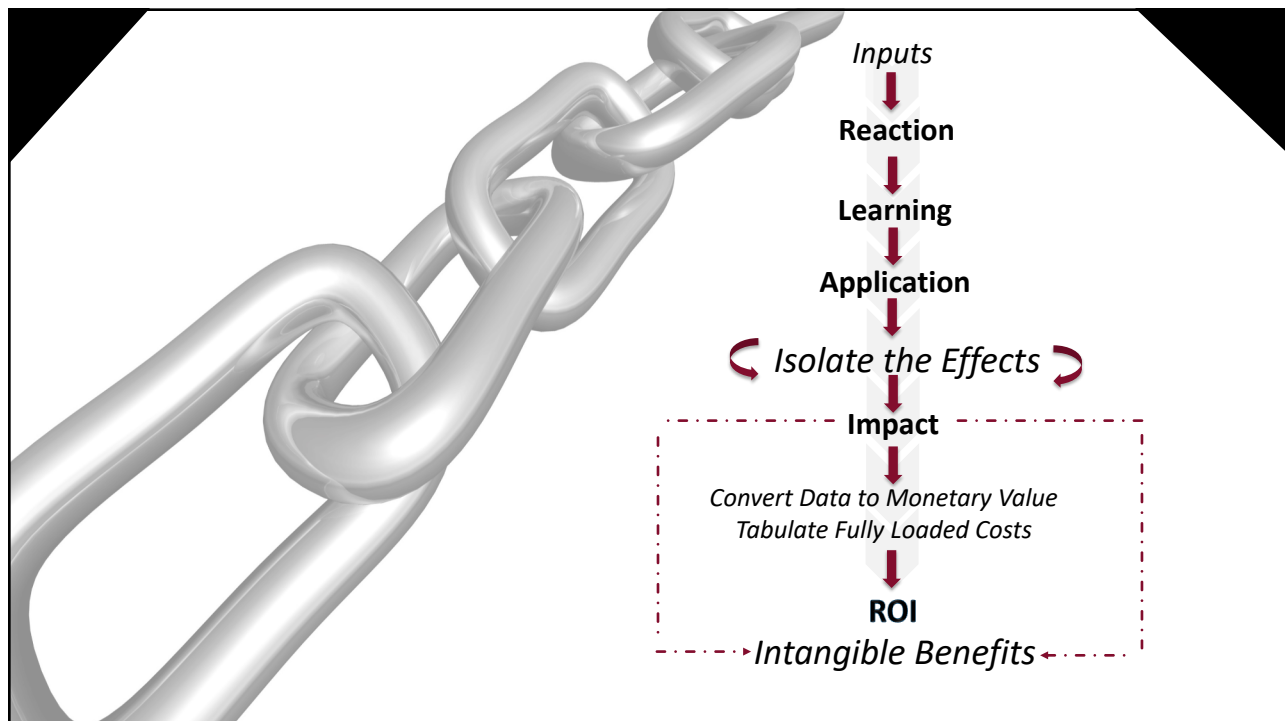
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Twelve Guiding Principles of ROI

1. When conducting a higher-level evaluation, collect data at lower levels.
2. When planning a higher-level evaluation, the previous level of evaluation is not required to be comprehensive.
3. When collecting and analyzing data, use only the most credible sources.
4. When analyzing data, select the most conservative alternative for calculations.
5. Use at least one method to isolate the effects of a project.
6. If no improvement data are available for a population or from a specific source, assume that little or no improvement has occurred.
7. Adjust estimates of improvement for potential errors of estimation.
8. Avoid use of extreme data items and unsupported claims when calculating ROI.
9. Use only the first year of annual benefits in ROI analysis of short-term solutions.
10. Fully load all costs of a solution, project, or program when analyzing ROI.
11. Intangible measures are defined as measures that are purposely not converted to monetary values.
12. Communicate the results of ROI Methodology to all key stakeholders.

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Click the link below or scan the QR code to access the resources from today's session:

<https://bit.ly/APTAROI>

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Let's have a conversation.
Schedule a time that works for you.
<https://calendly.com/pattiphillips/connect>
patti@roiinstitute.net

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