ROI INSTITUTE®

THE CONFERENCE BOARD®

The ROI of Inclusion Tool Kit

Designing Diversity, Equity, and Inclusion (DEI) Initiatives for Business Results

The report *The ROI of Inclusion: How to Align Diversity, Equity, and Inclusion with Business Results* looks at what organizations are doing to assess the return on investment (ROI) of their diversity, equity, and inclusion (DEI) efforts, with a specific focus on inclusion data. A well-developed ROI strategy can help drive the value of DEI programs and activities, as well as increase the leadership buy-in, engagement, and effectiveness of many programs and activities. The study identifies specific barriers that keep many organizations from aligning programmatic investments with talent and business results, including:

- Lack of know-how
- Inconsistent measurements
- Stage along the DEI journey and/or not well-defined measurement strategy
- Limited resources and staff
- DEI still viewed as an HR rather than a business issue

Applying the concepts from the ROI Institute's methodology to DEI initiatives and skills, this tool kit provides a guide that includes:

- Considerations on **how to** get started, regardless of the maturity of your organization in DEI.
- Information on the **DEI Chain of Impact** and how to use it.
- **Key questions** to ask as you align DEI investments with the needs of the organization.
- Best approaches to having **alignment conversations** with your team, people analytics team, and business unit leaders.
- Insights on **how to identify one DEI program** best suited for impact and ROI assessments.

Start Here

- ❑ Review existing maturity models to understand where your organization stands in the DEI space. Here are a few to which you can refer:
  - Deloitte: The Diversity and Inclusion Revolution
  - HRTech Diversity and Inclusion Resource Hub: Diversity and Inclusion Maturity Model
  - Korn Ferry Diversity and Inclusion Maturity Model
  - PwC Diversity Journey and Maturity Model
  - The Centre for Global Inclusion's Global DEI Benchmarks: Standards for Organizations Around the World (GDEIB)
- ❑ Examine the types of DEI measurements and data currently in use and how they align broader organizational goals. Reflect on the following questions:
  - Are you measuring inclusion consistently across the organization?
  - Are inclusion measures aligned with organizational culture, values, and DEI strategy?
  - Who uses and has access to DEI and inclusion data?
  - Are you evaluating the results of your DEI programs and activities consistently?
- ❑ Offer a training course on measurement, metrics, and ROI in the context of DEI. Here are some opportunities.
- ❑ Identify which of your DEI programs are candidates for evaluation up to ROI. With your team, rank your programs based on how well they meet the following criteria.
- ❑ Identify one DEI initiative and plan an evaluation that includes impact and, possibly, ROI.
- ❑ Develop a communication strategy that ensures clear expectations around inclusion and accountability.

The following content can help you as you take each of the above steps.

DEI Chain of Impact

Measurement, evaluation, and analytics begin with a framework of data. The framework should follow a logical flow of information that represents the value chain occurring as organizations invest in DEI programs, projects, and initiatives. Below is the most used framework for categorizing outcomes of human capital programs, include DEI.

Figure 1
Chain of Impact

Levels of Evaluation	Measurement Focus	Examples of Measures
0. Inputs & Indicators	The input into the project in terms of scope, volume, efficiencies, costs	Number of activities, participants, hours; Representation; Cost of the investment
1. Reaction & Planned Action	Measures participant satisfaction and captures planned actions, if appropriate	Relevance, Importance, Usefulness, Appropriateness, Intent to use, Commitment to act
2. Learning & Confidence	Measures changes in knowledge, insight, skills, and attitudes	Self-Awareness, Knowledge, Capacity, Competencies, Confidence, Contacts
3. Application & Implementation	Measures changes in behaviors, processes, actions as well as barriers and enablers to changes	Extent of use, Task completion, Frequency of use, Actions completed, Success with use, Collaboration, Allyship, Barriers to use, Enablers to use
4. Impact	Measures the impact of changes in behaviors, processes, actions on measures important to the organization	Representation, Turnover, Engagement, Productivity, Revenue, Quality, Time, Efficiency, Customer Satisfaction
5. Return on Investment	Compares project benefits to the costs	Benefit-Cost Ratio (BCR), ROI%, Payback Period

How it works

Value begins with the investment in DEI programs (Level 0). As the program rolls out, participants buy in to the program and commit to using what they learn (Level 1). Learning occurs as participants gain new insight about themselves, others, and how they can influence change in the organization (Level 2). More valuable, however, are the outcomes associated with what people do with what they learn through the interventions. Do behaviors change? Do systems change? Do policies, procedures, and performance management change? If so, what supports the change? If not, why not? (Level 3). The value of people using what they learn is found in improvement in diversity representation measures, preventive measures, and value-add measures (Level 4). A few examples of such measures are shown in Figure 2.

Figure 2

Examples of Impact Measures for DEI Investments

Representation Measures	Preventive Measures	Value-Add Measures
• Age/generation	• Absenteeism	• Brand
• Disability	• Complaints	• Cost
• Gender	• Conflicts	• Customer satisfaction
• Level of education	• Employee engagement	• Efficiencies
• National origin	• Employee mobility	• Innovation
• Race/ethnicity	• Employee turnover	• Productivity
• Religious affiliations	• Inclusion	• Quality
• Tenure with organization	• Job satisfaction	• Sales
• Veteran status	• Lawsuits	• Societal impact
• LGBTQ+	• Transfers	• Time

To learn more about these measures, see *The ROI of Inclusion: How to Align Diversity, Equity, and Inclusion with Business Results*.

Computing the return on investment: The ROI of DEI programs compares improvement in impact measures to the investment in the DEI program. This comparison results in a **benefit-cost ratio** (**BCR**) or an **ROI percentage (ROI%)** that describes the extent to which benefits to employees, the organization, and the community outweigh program costs (Level 5). While the two measures are similar, the formulas differ in that the BCR considers the total benefits, and the ROI considers net benefits—reflecting the value added to the organization over and beyond the investment. A third measure offers program owners the opportunity to demonstrate when an investment will pay off. **Payback period (PP)** compares program costs to the benefits resulting in the months (or years) a program investment breaks even.

Formulas and examples

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

$$\text{BCR} = \frac{\$750{,}000}{\$425{,}000} = 1.76{:}1$$

Interpretation: For every $1 invested in a program, there is $1.76 in benefit.

$$\text{ROI} = \frac{\text{Net Benefits}}{\text{Costs}} \text{ X } 100$$

$$\text{ROI} = \frac{\$750{,}000 - \$425{,}000}{\$425{,}000} \text{ X } 100 = 76\%$$

Interpretation: For every $1 invested in a program, the program returns the dollar plus an additional 76 cents.

$$\text{PP} = \frac{\text{Costs}}{\text{Benefits}} \text{ X } 12$$

$$\text{PP} = \frac{\$425{,}000}{\$750{,}000} \text{ X } 12 = 6.8$$

Interpretation: The program investment should break even in 6.8 months. Breakeven is equivalent to a 1:1 BCR and a 0% ROI.

Developing the ROI metric for DEI makes it easier to compare the value of DEI investments to that of other investments throughout the organization than if measures are left intangible. That is not to say that the intangibles are not important. In fact, they are just as important, if not in many cases more important than the ROI metric. Even so, knowing the actual benefits compared to the cost places DEI at the same level of investment as other types of programs and projects. It helps demonstrate that diversity and inclusion is the right thing to do for people and the right thing to do for the business.

When to use it

Demonstrating value for DEI is always important. Unfortunately, much of the time, the only obvious measure of DEI programs remains the level of investment, or Level 0 data. While this certainly reflects management support for DEI, it leaves decision makers with questions such as: "Are the investments we are making the right investments? Are there other investments in DEI that are more effective in terms of driving DEI and other stakeholder outcomes?"

Evaluation of DEI needs to occur to ensure the investments are driving outcomes. However, not all DEI programs need to be evaluated up to ROI. DEI investments that are candidates for evaluation up to impact and ROI meet the following criteria.

- They represent a significant investment.
- They drive business strategy.
- They align with operational goals and key performance indicators.
- They will likely have a long life cycle and involve many people.
- The focus of the investment is on sustainable behavior change that drives value for all stakeholders.
- Stakeholders have a keen interest in the program and its contribution to the business.

As shown in Figure 3, ROI Institute suggests that at a minimum, 10–20 percent across talent-focused programs (DEI, HR, L&D, LD, etc.) in an organization meet these criteria. Fewer, 5–10 percent, tend to be candidates for ROI evaluation; however, as shown in the data below, many organizations exceed this minimum. Benchmarking data shown in the far-right column of the table indicate the evaluation at the higher levels occurs more frequently within organizations than the minimum standards suggest. Any program **can** be evaluated to these higher levels, the question is whether it **should**. While these benchmarks are not specific to DEI programs, they highlight the value of holding strategic discussions around selecting the right programs.

Figure 3

ROI Institute 2020 Benchmark Study and Recommendations

Level	Recommended % of Programs	2020 Benchmarking N=246
0. Input	100%	100%
1. Reaction	100%	80%
2. Learning	80-90%	70%
3. Application	30-50%	49%
4. Impact	10-20%	37%
5. ROI	5-10%	18%

Think about this

Consider your DEI initiatives. Which one(s) meet the following criteria?

- Significant investment
- Strategic
- Align with operational goals
- Long life cycle
- Focus is on sustainable behavior change
- Stakeholder interest

Alignment

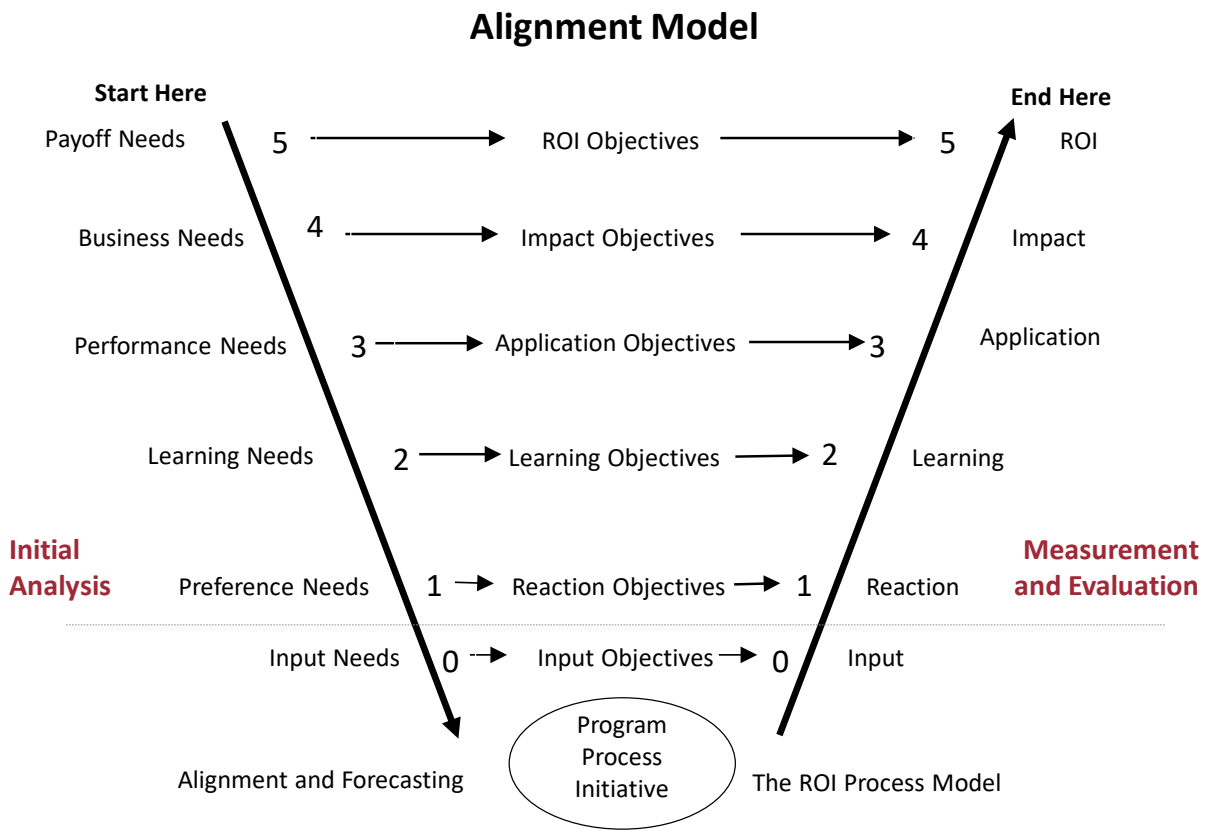
Alignment is the arrangement of items in a straight line or in some other correct or appropriate relative position. In the case of DEI, alignment means that investments (programs, interventions) are designed to drive results. Business alignment means that results in DEI may include improvement in representation measures, preventive measures, and/or value-add measures. Additionally, alignment means that the improvements in the business results over an appropriate period of time are such that, when converted to money, they outweigh the investment.

Needs

Figure 4 presents the ROI Institute's alignment model. As shown, the first step toward alignment is identifying the needs of the organization, the left side of the V. It begins with identifying the ultimate payoff or opportunity for the organization. That opportunity may be to make money, save money, avoid cost, do greater good, or a combination. From there, specific business needs are identified. The business needs are specific measures that, if improved, will indicate that the organization is moving toward taking advantage of the payoff opportunity. From there, performance needs are defined. These needs represent changes in behaviors, processes, procedures, and actions that, if implemented, will address the business needs. It is through the assessment of business needs that solutions (programs, interventions) surface. From there, learning needs are defined—what it is that people need to know to make the requisite changes to address the business needs. Preference needs indicate how best to roll out the solution so that people learn what they need to know in order to do what they need to do to address the business need.

Bottom line: The left side of the V answers the question: "Why are we implementing this program?"

Figure 4



Alignment Questions

Aligning DEI investments with organization needs requires asking the right questions. Following are two approaches to asking questions that will ensure alignment occurs.

Alignment Questions Defining Needs That Lead to New DEI Investments

In the ideal world, decisions about DEI investments are made with clear outcomes in mind. Outcomes may be financial (profit driven, cost reduction driven, or cost avoidance driven). Outcomes may also include more subjective, but equally important measures (brand, employee experience, etc.). When designing your DEI strategy, consider the following:

Payoff Needs

- What is the opportunity for the organization to make money, save money, avoid cost, and do greater good?
- What is it worth to the organization to pursue this opportunity?

- What if we do nothing?

Business Needs

- What key business measures, if improved, would indicate the organization is addressing the problem or taking advantage of the opportunity?
- How would you describe these measures?
  - Representation Measures
  - Preventive Measures
  - Value-Add Measures

Performance Needs

- What is happening or not happening that, if changed, will help address the business needs? Consider behaviors, processes, and actions representative of equity and inclusion.
- What is preventing the desired performance in these areas?
- What support would be required to make (and sustain) performance changes?
- What are potential solutions?

Learning Needs

- What knowledge, skill, information, and insight could prepare those charged with the performance change?
- Which solutions could provide this?

Preference Needs

- How best could the knowledge, skill, information, and insight be delivered so that people view participation as a worthy investment of their time and company resources?

Input Needs

- Who needs to be involved?
- How much will it cost?
- What kind of mindset would people need going into the program, and how can we help them develop such a mindset?

Alignment Questions Clarifying Needs for Existing or Predefined DEI Investments

In the ideal world, DEI solutions evolve from an assessment of need, beginning with the payoff need and flowing through business and performance needs. On occasion, someone will identify a DEI solution prior to an assessment of need, or there may be an existing DEI solution and a need exists to show the business value. The following questions may help align existing or predefined DEI investments with organization needs.

Input Needs

- Who is (or needs to be) involved in this program and why?
- How much does it currently cost?
- What is the general mindset of those involved?
- What should the general mindset about this program be, and how can we help create it?

Reaction Needs

- What do we want people to think about this program?
- How do we want them to perceive their experience and the value contribution to the business?

Learning Needs

- What do we want people to know/learn from the experience?
- What do people who support participants need to know?
- How can people connect and learn from each other as a result of this program?

Application Needs

- What do we want people to do with the knowledge, skills, insight, and information they gain by participating in the DEI program?
- What behaviors and processes will/should change with these insights?
- What barriers do or might prevent success, and what can we do to avoid the barriers?
- What support will people need to make the process work?

Business Needs

- What consequences do we expect to occur because of this program/initiative?
- How much improvement should we see in terms of representation measures, preventive measures, and value-add measures?
- What other factors could influence these measures?

- How likely is this program to improve the measures?

ROI

- If the business measures improve, what will the value be monetarily?
- How does this compare to the cost of the program?
- What is our target ROI?
- What are other potential benefits?

Objectives

The middle of the V represents the objectives (aka outcomes, objectives and key results—OKRs, etc.). Regardless of the type of DEI investment, measurable objectives should exist. Objectives align with the needs and describe the outcomes at all levels of the DEI chain of impact. They serve as the architectural blueprint for the DEI program design. They also represent measures of success. The payoff objective is the expected ROI after considering the potential value of the opportunity and the cost of the solution. Impact objectives define the specific measurable business measures and their targets for improvement. Application objectives define the specific behaviors, actions, and processes that are expected to change by how much and by when to achieve the business objectives. Learning objectives indicate the target knowledge and insight acquisition required to achieve the application objectives. Preference objectives set targets for success in terms of program experience. However, care should be taken not to define experience merely as enjoyment. Experience should also be meaningful, relevant, and usefully insightful to drive change and improvement in the organization.

Bottom line: The middle of the V answers the questions: "How are we going to design the program?" "How are we going to measure its success?"

Evaluation

Alignment begins before investing in a DEI solution, but it does not end there. True alignment is only evident when the outcomes are evident. When clear objectives (the intended outcomes) are defined based on needs, evaluation is simply a matter of collecting data to determine if the objectives are met and to gain insights that lead to improvement and change, both throughout the organization and within the program itself.

To ensure credible, reliable results, a process supported by standards must be in place. Processes help describe, step by step, what must be done. Processes also help explain, step by step, what has occurred. Considerations when planning an evaluation are:

- Objectives/measures
- Data collection instruments/methods
- Data sources

- Data collection timing
- Techniques to isolate program effects on improvement
- Techniques to convert measures to money
- Fully loaded cost profile
- Use of the information to improve DEI programs and the system that supports them

Bottom line: The right side of the V answers the question: "What are the results of the investment in the DEI program?"

How it works

Having the alignment conversation can seem daunting, but it does not have to be. The key is to have a plan. Below is a checklist of items that may be helpful as you proactively prepare for a business alignment conversation.[1]

- ❑ Organization chart for the client's business unit/function/department
- ❑ Most current business plan for the client's business unit
- ❑ Demographic information regarding the employees within the client's span of control (number of employees by job groups, geographic location of employees)
- ❑ Information about the products and services provided by the client's business unit, including the customers (internal and/or external) for these products and services
- ❑ Organizations that directly compete with the business unit
- ❑ Alliances, joint ventures, acquisitions, or divestitures that are occurring and are relevant to the client's function
- ❑ Operating metrics used to measure results of the client's business unit—both what they are and the current results against goals
- ❑ Other items of relevance such as recent hires, promotions, and placement of key people within the division or function

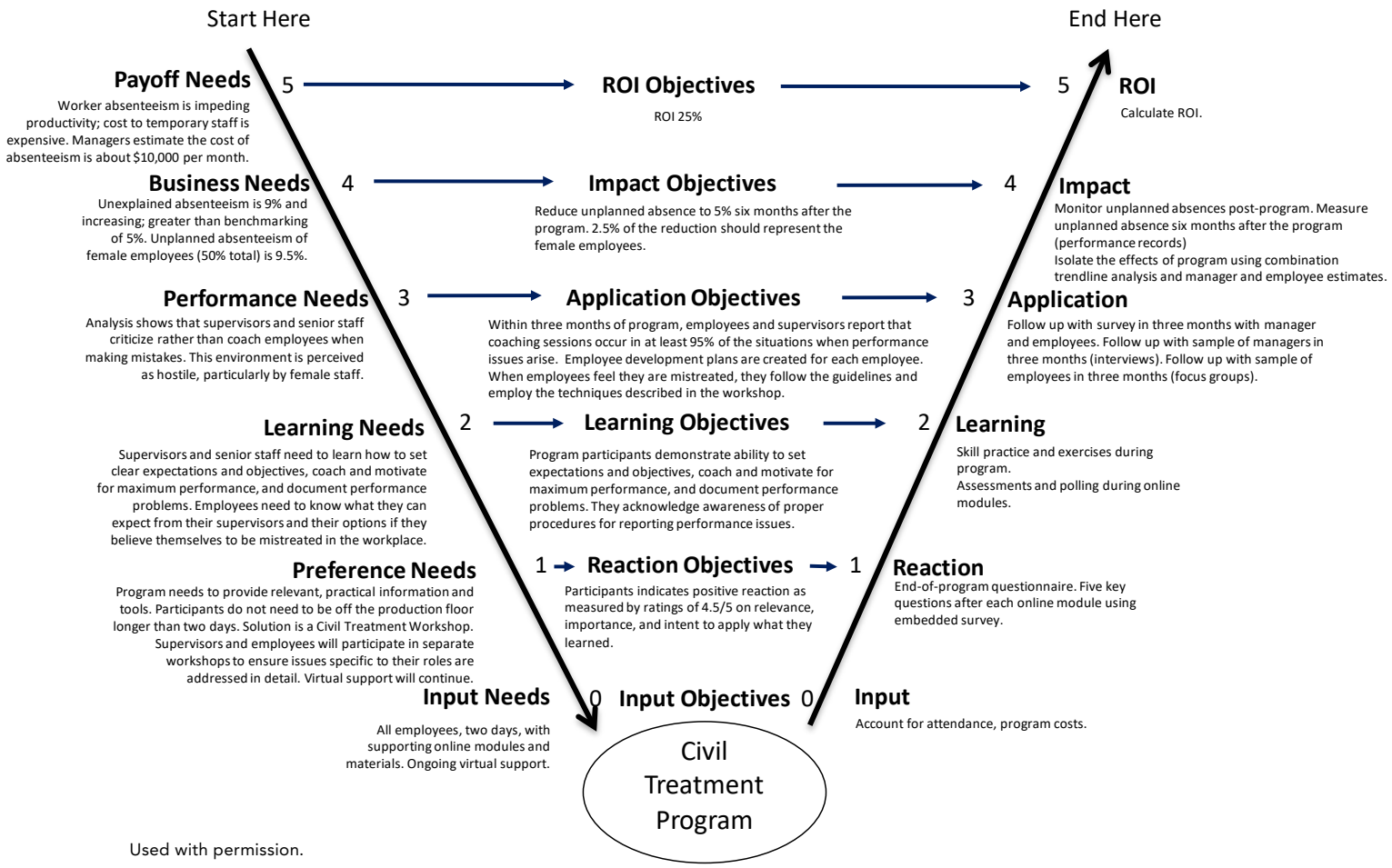
These items, the alignment questions above, and a willingness to learn are all you need to align DEI programs with the needs of the business.

Figure 5 provides a simple application of the alignment process. This example demonstrates the connection between needs, objectives, and evaluation. The process works regardless of the solution and is appropriate when developing the overall DEI strategy.

1 Dana G. Robinson, James C. Robinson, Jack J. Phillips, Patti P. Phillips, and Dick Handshaw, *Performance Consulting: A Strategic Process to Improve, Measure, and Sustain Organizational Results* (San Francisco, CA: Berrett-Koehler, 2015).

Figure 5

Example of Alignment Process for a Civil Treatment Program



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Think about this

Work with your team, the people analytics team, and select business unit partners to discuss the alignment questions. Begin with the payoff and business needs. Discuss how improving equity and inclusion behaviors/processes can drive business performance.

Overcoming Barriers to ROI in DEI

As you move forward aligning your DEI programs with results, consider the following actions you can take to avoid potential barriers to success:

- **Approach evaluation as a process improvement opportunity.** If someone questions the value of a DEI investment, find out why and make it work.
- **Be proactive.** Don't wait for someone to ask about the impact and ROI of major DEI initiatives. If they do, it may be too late. By proactively aligning DEI to the business, you can manage the process and the changes, and you will still have time to make them.
- **Be clear on why you need specific DEI programs and design them to address the why.** These days, as a minimum, investments in DEI should lead to awareness and behavior change. Occasionally, the investment is designed to drive representation measures, preventive measures, and value-add measures.
- **Become curious about which DEI investments are working, which ones are not, and why.** The top reason why people don't change behaviors or use what they learn is because the management team doesn't support it. Ask questions as to why!
- **Use shortcuts and time savings techniques if resources are minimal.** Techniques to consider include:
  - Build assessment and evaluation as you design the program.
  - Develop criteria for selecting DEI programs to evaluate at different levels.
  - Plan, plan, plan.
  - Share responsibilities for data collection and analysis.
  - Require those involved in the program to help with major steps.
  - When all else fails, use estimates. (For those of you who are estimate averse, watch this video.)

Think about this

Work with your team to identify the barriers to successfully evaluating the impact and ROI of your DEI programs. Once you have your list, brainstorm all the ways you can overcome those barriers. Identify one action you and your team can take to demonstrate the value of DEI beyond your current approach.

Selected Resources

ROI and analytics

Edward E. Hubbard, *Introduction to Diversity Return on Investment (DROI): Building Diversity Initiatives with Demonstrated ROI Impact on the Bottom-line*, Global Insights Publishing, 2019.

Patti P. Phillips and Jack J. Phillips, *Measuring ROI in Employee Relations and Compliance: Case Studies in Diversity and Inclusion, Engagement, Compliance, and Flexible Working Arrangements* (Alexandria, VA: SHRM, 2014).

Patti P. Phillips, Jack J. Phillips, and Rebecca L. Ray, *Measuring the Success of Soft Skills: Measuring Impact and Calculating ROI* (Alexandria, VA: ATD Press, 2020).

Dana G. Robinson, James C. Robinson, Jack J. Phillips, Patti P. Phillips, and Dick Handshaw, *Performance Consulting: A Strategic Process to Improve, Measure, and Sustain Organizational Results* (San Francisco, CA: Berrett-Koehler, 2015).

Measuring the Impact and ROI of DE&I
Five-hour live virtual workshop.
ROI Institute, Inc.

Global DEI alignment and strategy

Marion Devine, Anuj Saush, and Sarah Bond, *Diversity Reporting under the Spotlight*, The Conference Board, July 2020.

Robin J. Ely and David A. Thomas, "Getting Serious about Diversity," *Harvard Business Review*, November–December 2020.

Robin Erickson, Amanda Popiela, Laura Sabattini, and Amy Ye, *DNA of Engagement: How Organizations Can Align Engagement and Inclusion to Enhance Employee Experience*, The Conference Board, June 2020.

Laura Sabattini, "Diversity, Equity, and Inclusion and the Bottom Line," Talent Culture, 2020.

Laura Sabattini and Vivian Jaworsky, *Artificial Intelligence for Diversity, Equity, and Inclusion*, The Conference Board, March 2021.

Laura Sabattini, Amy Ye, Amanda Popiela, and Jane Horan, *What's Next for Employee Groups?* The Conference Board, January 2020.

Mary B. Young, Charles Mitchell, and Michelle Kan, *Inclusion + Innovation: Leveraging Diversity of Thought to Generate Business Growth*, The Conference Board, January 2016.

Mary B. Young and Marion Devine, *Defining and Measuring Inclusion*, The Conference Board, December 2018.

Mary B. Young, Marion Devine, and Laura Sabattini, *Taking Diversity and Inclusion Global: Balancing Alignment and Flexibility*, The Conference Board, April 2020.

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THE CONFERENCE BOARD, INC. | www.conferenceboard.org
AMERICAS | +1 212 759 0900 | customer.service@conferenceboard.org
ASIA | +65 8298 3403 | service.ap@conferenceboard.org
EUROPE, MIDDLE EAST, AFRICA | +32 2 675 54 05 | brussels@conferenceboard.org
COMMITTEE FOR ECONOMIC DEVELOPMENT OF THE CONFERENCE BOARD | +1 202 469 7286 | www.ced.org
THE CONFERENCE BOARD OF CANADA | +1 613 526 3280 | www.conferenceboard.ca

PUBLISHING TEAM
DESIGN Peter Drubin
EDITOR Sara Churchville
PRODUCTION Chris DiStasio