



**Building A Compelling
Business Case**

**For Greater
Diversity and
Inclusion**



Executive Summary

Organizations that make Diversity and Inclusion (D&I) a high priority grow faster, are more profitable, and have a greater base of intellect, knowledge, and skills to scale new business models and grow profits faster than their peers.

Many studies of D&I quantify how diversity correlates to higher profitability and value creation. McKinsey's most recent study, [Delivering Through Diversity](#), provides a broad base of tangible benefits that are useful in creating a compelling business case. Companies in the top-quartile for ethnic/cultural diversity on executive teams were 33% more likely to have industry-leading profitability, according to the study.

Organizations that have made D&I an integral part of their businesses are experiencing 83% improvement in their ability to innovate, 42% increase in team collaboration effectiveness, and 31% improvement in customer responsiveness, [according to Deloitte](#).

A study by the [American Sociological Association](#) found that companies with the highest levels of racial diversity attain 15 times the sales revenues of those organizations with the lowest levels of diversity.

Defining Diversity and Inclusion's Many Tangible Benefits

Accomplishing D&I at an organization-wide level needs to start with a series of objectives based on a solid business case. The most successful business cases are created to solve specific problems related to stabilizing a company's growth while enabling new business models to flourish. Tangible benefits are measured in monetary terms.



For example, an excellently run D&I initiative can significantly reduce turnover costs, lessen absentee rates, and avert costly litigation and lawsuits based on age, sex, and race discrimination. Leading companies measure D&I from the standpoint of employee productivity and engagement in company performance, which represent indirect costs or benefits to the company. The following tangible benefits are the foundation of a compelling business case for D&I:

- **Reduction in recruitment costs and new employee churn rates.**
A recent [Glassdoor survey](#) found that 67% of job seekers evaluate potential employers based on their D&I initiatives and results. 75% of female candidates considered diversity a priority when choosing a job, as did nearly 90% of African-American applicants. Companies known for having strong D&I programs are the ones new college graduates would most prefer to work for, according to Glassdoor, and are most likely to stay at for an extended period.
- **Faster revenue and profit growth compared to peers.**
McKinsey's *Delivering Through Diversity* report found that companies in the top quartile for gender diversity on executive teams were 21% more likely to outperform on profitability and 27% more likely to have superior value creation. These findings are based on data from 1,000 companies in 12 countries and use two measures of financial performance profitability (measured as average EBIT margin) and value creation (measured as economic profit margin). Companies in the top quartile for ethnic/cultural diversity on executive teams were 33% more likely to have industry-leading profitability.
- **Greater innovation.**
Diverse development teams are more effective at generating valuable new product ideas that lead

to new intellectual property, including patents. A study published in [Scientific American](#) found that diverse teams excel at solving unique, non-routine problems more effectively than their peers. In a recent [Forbes](#) study, 56% of international business leaders say diversity is a catalyst for greater innovation.

- **Reduction in class-action lawsuits and fines for not complying with Equal Employment Opportunity Commission (EEOC) guidelines.**

In the United States during FY2017 there were over 28,000 EEOC complaints of companies discriminating on race alone, with over 6,600 complaints of sexual harassment leading to \$46.3M in monetary benefits paid. EEOC's latest FY2017 report shows a total of 84,254 workplace discrimination charges were filed nationwide, securing \$398M for victims in the private sector and state and local government workplaces through voluntary resolutions and litigation. A strong D&I program reduces the chance of becoming a statistic in an EEOC report for U.S. companies.

- **Enhanced brand reputation and valuation.**

Nike's decision to have Colin Kaepernick be one of their main celebrity endorsers showed the company has strong beliefs in D&I and is willing to stand by them. While there were complaints, the decision led to a [\\$6B jump in market valuation](#) fueled by a rising stock price and increased sales. McKinsey studied Sodexho and found the diversified services firm was able to [improve its brand image by 5%](#) by accelerating its D&I initiatives. McKinsey collaborated with Sodexho and found through internal research that, the greater the representation of women in management positions, the higher the company's performance on customer satisfaction and employee engagement metrics.

Creating a Compelling Case for Diversity and Inclusion

Tangible benefits are the foundation of a compelling business case for an effective D&I initiative. Quantifying their contributions in quarterly and yearly forecasts, then adding them all up into a single figure, is the first step to creating a successful business case.

The costs associated with the D&I initiatives next need to be taken into account. These include but aren't limited to the following: initial software and services costs to acquire and integrate a technology solution, training and change management costs, launch costs for announcing the new platform and its capabilities to the organization, and ongoing internal training programs.

The Return on Investment (ROI) for a D&I initiative is calculated as follows:

$$ROI \text{ on D\&I Initiative} = (D\&I \text{ Initiative Benefits} - D\&I \text{ Initiative Costs}) / D\&I \text{ Initiative Costs} \times 100.$$

For a financial services company that calculates the annual benefits of a D&I initiative will be \$475,000 and the costs \$65,000, will yield a net return of \$6.30 for every \$1 invested. Another way of expressing this outcome is an ROI of less than two months.

Additional factors to keep in mind when building a business case include the following:

- **Get started with a pilot or initial platform to capture live data with budgets available at the end of a quarter.**

Typically, organizations will allocate the remaining amounts of HR, talent management, and IT budgets at the end of a quarter to talent management initiatives. Quarter-end is an excellent time to begin capturing baseline data needed to succeed with AI-enabled technology supporting D&I goals.

- **Succinctly define the benefits and costs and gain C-level support to streamline the funding process.**

It's often the CEOs who are most driven to attain diversity and inclusion goals, and they're the best members of the management team to break down barriers that stand in the way of any D&I initiative's success. Call on them to be D&I champions and the probability of success drastically improves.



-
- **Earning a reputation of being an industry leader who knows how to hire and grow diverse candidates from within differentiates you from every other leader today.**

The most common excuse (mentioned 40% of the time) for not making better progress in diversity hiring is “we looked, but couldn’t find enough diversity candidates”. An AI-powered Talent Intelligence Platform will provide the broadest access to diversity candidates possible, enabling organizations to find and hire capable individuals at all levels.

- **Excel at offering new positions to current employees who are an attrition risk, and to diverse candidates capable of doing the job to close the D&I gap.**

A recent study by Harris Media, [The Talent Intelligence and Management Report 2018](#), shows that diversity programs are failing to provide employees a regular career progression which creates goodwill and trust. It's time for CEOs and CHROs to walk the talk and make a positive impact on their employees' lives by excelling at promote-from-within policies.

- **Define and measure D&I initiatives' progress using digitally-enabled analytics that can be shared across any device, anytime.**

Enabling D&I initiatives requires accurate measurement of goals and outcomes so that the organization can be held accountable. Having digitally-enabled analytics that clearly show each goal and the company's progress toward each objective is critical to success.

Conclusion

Numerous studies have proven that D&I is not only the right priority for ethical reasons, it's also the right thing to do for the business. Companies that have achieved advances in hiring, retention, and inclusion through D&I initiatives have seen compelling, measurable business results—in addition to intangible benefits.

Companies now seeking to invest further in D&I results can build a compelling business case. AI-powered solutions, such as a Talent Intelligence Platform, can deliver ROI against these requirements. With D&I embedded into their talent processes globally, organizations will finally be able to grow as quickly as their business models and digital transformation plans require.



Eightfold™ delivers the Talent Intelligence Platform, the most effective way for companies to identify promising candidates, reach diversity hiring goals, retain top performers, and engage talent. Eightfold's patented artificial intelligence-based platform empowers enterprises to turn talent management into a competitive advantage. Built by top engineers out of Facebook, Google and other leading technology companies, Eightfold is based in Mountain View, California.

For more information, visit www.eightfold.ai