Meeting the New Hiring Challenges of Global Onboarding Programs

Diversity managers know intuitively that diversity programs add value to the organization. Applying the ROI Methodology proves it through metrics.

Diversity managers intuitively know the importance of diversity and inclusion to an organization's ability to innovate and maintain a cutting edge competitive position. However, until recently there has been little emphasis on backing up that intuition with metrics. The Return on Investment (ROI) Methodology has generally not been used to isolate the business impact of supplier or workforce diversity on the organization. That is rapidly changing as businesses focus on becoming leaner.

Calculating the financial impact of diversity programs gives them more legitimacy as value adding efforts in their own right. Applying the ROI Methodology to workforce and supplier diversity programs produces the metrics for benchmarking and performance evaluation. However, an effective ROI Methodology will also yield critical business intelligence that is used for improved organizational decision making at the strategic and operational levels.

The first step is defining what the term 'diversity' means to the organization because it determines the necessary data collection and ROI impact analysis. Currently, organizations report primarily on factors like total diverse supplier spend or number of multicultural staff members. However, the organizations that have embraced diversity for more reasons than simply complying with government guidelines or to promote a positive corporate image actively manage the programs like any other business unit. They want to see business measures that prove current diversity strategies are working in a number of ways and that results flow to the bottom line.

One Thing Leads to Another.

Applying the ROI Methodology to diversity programs begins with determining the results expected from the investment. ROI has shifted from being strictly activity based (i.e. number of attendees at a workshop, total spend, etc.) to results based (assessment of attitude changes towards diversity, impact as a key driver of innovation, etc.). ROI is important because company executives are more likely to buy-in to the right sizing of the diversity programs and make decisions that consider diversity if they have proof that the impact of the efforts and investment are measurable and that a contribution is made to profitability. A best practice is to implement ROI for diversity programs as a process improvement strategy and not just a method for reporting figures and facts. In addition to using the traditional numbers of spend and hires, the ROI analysis includes data that leads to strategic decisions from top to bottom that are better aligned to the corporate mission and the improved ability to excel in the marketplace.

The ROI Methodology involves four levels of data collection. The first data set (reaction) reflects whether stakeholders find the diversity program valuable. The second set of data (learning) measures how much stakeholders have learned in terms of skills and knowledge and whether there has been measurable changes in attitude towards diversity. The third data source (application) collects information that measures how skills and knowledge have translated into actions, technologies and processes. The fourth data set (impact) measures how those actions, technologies and processes are measured in terms of business factors like productivity, customer satisfaction, turnover, promotions, employee engagement and community connectivity.

The impact data are converted to money value to introduce the financial measures of the diversity programs. The effects of the diversity program are isolated from other business operations and the cost of the diversity programs is compared to the benefits, leading to ROI. Some of the impacts are not financially measurable but can be reported as intangible benefits. For example, an assessment of staff attitudes towards the workplace shows greater satisfaction with career opportunities. The ROI returns measures that are compared to the diversity program objectives to determine if process improvements are needed or if the program is on track.

Value of Tangibles and Intangibles

Diversity programs are a value added function. The intent is that adding, developing and expanding the program improves profitability, whether that is through increased revenues, lower expenses or improved quality. The quality measure has particular relevance to diversity programs. The question diversity managers ask themselves comes from two directions: 1) the advantages of having supplier and workforce diversity, 2) the cost of not being diverse. The costs associated with lack of diversity may include events like missing out on an innovative product design or loss of a global customer because of an inability to cross cultural divides.

Developing the tangible data is critical to diversity program success and support. Without the financial measures, the organization may develop lists of advantages or newly implemented organizational measures, but they are only lists. The changes in the organization due to implementation of the diversity programs must be converted to financial numbers. In the end, every financial ROI is figured by a basic formula: (Gain from investment – Cost of investment)/Cost of investment. However, diversity ROI also includes measures that stop at the point where gain from the investment is figured. The gain is the return.

For example, a leadership program that improves skills of women decision makers may lead to an impact (the fourth data calculation in ROI) that is found in a variety of new internal initiatives within a specific department. In that case, measuring the impact of leadership training would focus on how much value was added as a result of the new initiatives. On the other hand, the ROI would focus on the monetary gain of leadership training versus the cost of leadership training.

The intangibles that are measured are equally important to the value added diversity program. Intangibles include factors like increased number of alliances made with diversity councils, improving branding due to diversity and inclusion programs, enhanced community goodwill, increase in employee satisfaction with jobs or business culture, increased willingness of employees to embrace the company mission and objectives, and so on. The intangible measures can include simple counts (number of minority job applications) or measures of scaled responses (asking for a response on a scale of 1-5 if a diverse staff member believes training programs enhance career opportunities).

Relationships can also be measured, such as diverse staff job satisfaction in relation to diverse staff turnover.

The diversity data and responses must be isolated from the general organizational data to specifically measure the impact of specific diversity programs. However, evaluating the total effectiveness of the diversity program as a component of a whole requires measures that also include responses from other stakeholders, including non-minority staff and community members. The ROI Methodology applied to diversity programs gives intuitive supporters of diversity the right to say, “I told you so.”