

Measuring Diversity Results Series – Article 1

**By Dr. Edward E. Hubbard
President & CEO, Hubbard & Hubbard, Inc.**

Introduction

Diversity professionals are increasingly challenged to take a more strategic perspective regarding their role in producing results for the organization. It has been my experience that as diversity professionals respond to these challenges, measuring diversity's performance and its contribution to the organization's results consistently emerges as a critical theme. This should really come as no surprise since over the last 5-7 years there has been an ever-increasing appreciation for the value of the "softer people side" or "intangible assets" of the organization's business and the associated trend towards strategic performance measurement systems such as Robert Kaplan and David Norton's Balanced Scorecard.

New opportunities for diversity professionals, new demands for diversity's accountability, and new perspectives on measuring diversity results and diversity's return on investment have all converged. This series is intended to guide organizations using diversity metrics through the challenges of these converging trends. It is grounded on my consulting work with a wide range of organizations (national and international), research from my books "Measuring Diversity Result", "How to Calculate Diversity Return on Investment (DROI)", an upcoming book entitled: "The Diversity Scorecard), and on-going research work of the Hubbard Diversity Measurement & Productivity Institute (HDM&P). As part of our work to help formalize this discipline, we have created a database of over 2500 different diversity metrics.

Senior leaders and diversity professionals are eager to see practical applications of the models, techniques, theories, strategies, and issues that comprise the diversity arena. In recent years, diversity practitioners have developed an intense desire to learn about diversity measurement strategies that create "compelling evidence" which highlights how diversity adds value to organizational performance and the bottom-line. This series is intended to fill some of that need. In it, each article will cover a variety of aspects of diversity measurement and diversity return on investment to significantly add to your organization's diversity performance and current literature in the diversity measurement field.

Objectives of the Series

This measuring diversity results series has the following objectives:

- ☑ To provide **real-world examples** of the *application* and *implementation* of diversity metrics—describing significant measurement events, issues, actions and activities.
- ☑ To focus on **challenging and difficult issues** confronting the diversity measurement field. These mini-cases will explore areas where it is difficult to find information or where processes or techniques are not standardized or fully developed. Also, emerging issues discovered in our consulting or Hubbard Diversity Measurement & Productivity Institute (HDM&P) work critical to success in the field will be covered in the series.
- ☑ To serve as a **self-teaching tool** for those who want to know more about diversity metrics and their value in assessing and guiding the use of diverse workforce resources for organizational performance and success – as a stand-alone reference, each article should be a very useful learning tool.

To kick-off the series, we will start with a basic framework for understanding a context to apply successful diversity measurement strategies, and end with a “six step process” called the “Diversity Contribution Margin” to calculate the impact of diversity at the 30,000 foot level. In each succeeding article in the series, we will examine related diversity metrics you can use as well as other key strategic measurement issues on the ground floor.

Building a Financial Mindset Using the Diversity Management Contribution Model

Let’s suppose that you have a meeting with your senior leadership team next Friday and they have asked you to be prepared to talk about the organization’s diversity initiatives and key issues. You have attended these meetings before and presented the business case for diversity, however you have never really used financial approaches for making the case. As you review and prepare your meeting presentation strategy you review this model, which has five prerequisites and six steps.

Prerequisites

- ☑ Review your organization’s definition of diversity and its values and vision statements. Make a poster size copy of each to post on the wall of the meeting room.
- ☑ Next, you must fully understand and have in your mind a model of how your organization does business. What are its products, services, and customer markets? That is, who supplies the organization with its raw goods, how are they processed, and who, where, and when are they sold. You must know how the organization makes money and should be familiar with key operations issues, etc.

In essence, if you want to connect diversity to the business, you must know how the business operates. Answer the question: “What key organizational issues keep your senior leadership team up at night?” “What problems can diversity help them solve?”

- ☑ Ask the participants attending the meeting to bring their day-timers or calendars that reflect issues they or their staffs have had to handle in the last 3-4 weeks.
- ☑ Review the steps of the Diversity Management Contribution Model™
- ☑ Bring a calculator.

Once you have the prerequisites completed, you are ready to implement the Diversity Contribution Model™ approach.

Getting Started

Start your presentation by explaining its purpose and briefly review the organization’s vision, values, and diversity definition. Make certain you present some examples of the organization’s diversity and its application to performance as you review the statement (such as working styles, thinking styles, bi-lingual customer service or marketing representatives servicing ethnic markets, etc.). Use the group’s diversity in some of the examples where possible.

Next, ask the group to review their day-timers or calendars for the last 3-4 weeks and list the types of issues they or their staffs dealt with in meetings, with customers, with the community, related to production, sales, marketing, personal or departmental conflicts, etc. Chart these on an easel pad and post them. Summarize the list by examining them for links to your organization’s diversity definition and/or the organization’s values statement.

Next, ask the group, “What real or perceived barriers seem to get in the way of employees doing their absolute personal best work?” Give examples and relate these to the issues of diversity. Next, connect them to the stated vision and values of the organization. Include things such as issues of respectful treatment by managers and co-workers, having their ideas used, being included in succession and promotion plans, given access to key information, trust, stereotyping, prejudice, discrimination, feeling valued, being seen as capable, etc. Chart the group’s responses on an easel pad.

Finally, ask the group the following question which starts the Diversity Management Contribution Model process; “*What percentage of an average 8 hour day is **NOT SPENT** on sales, marketing, production, etc. (in other words, mission critical work) due to real or perceived barriers in the workplace?*” If necessary, refer back to the list on the wall or easel pad. Gather example percentages and list them on the chart as participants

call them out. Once the frequency of responses die down, take the lowest percent or the number mentioned most frequently and complete the following six steps. (Note: Be prepared. In some groups, some attendees may say it doesn't have any impact (0%). If this happens, ask them to think of the first level employees, then answer this question from the employee's point of view).

Insert the percentage into the calculation's first step. For the sake of this example, I will use 25% as my figure, with an average wage of \$12/hour, and a 5,000-person organization. To annualize the number, I will use 260 workdays in the year (2080 hours = 260 days which is the equivalent of a 40 hour work week with 2 weeks of vacation per year).

Translating Diversity into Financial Terms

Step	Calculation	Description
1	$25\% \times 8 \text{ hours} = 2 \text{ hours per day per person}$	This calculation uses the estimate taken from the participants and multiplies by 8 hours.
2	$2 \text{ hours} \times \$12 \text{ per hour} = \$24 \text{ per day per person}$	The result from step 1 is multiplied by the average wage of all employees. A conservative figure is used.
3	$\$24 \times 5,000 \text{ people} = \$120,000 \text{ per day}$	The result of step 2 is multiplied by the total number of people in the organization (FTEs).
4	$\$120,000 \times 260 \text{ days} = \$31.2 \text{ Million per year}$	The result of step 3 is multiplied by 260 days to annualize the number.
5	$\$31.2 \text{ Million} \times 45\% \text{ contribution} = \14.04 Million	The participant is asked to estimate, "On a scale of 0% contribution to this \$31.2 Million to 100% contribution, what amount of this number is attributable to diversity related issues" (review chart). Next, the result of step 4 is multiplied by the % selected.
6	$\$14.04 \text{ Million} \times 85\% \text{ confidence factor} = \11.9 Million	Finally, the participant is asked, "To ensure an estimate of error, on a scale of 0% confident of this 45% estimate to 100% confident of this estimate, how confident are you of this estimate?" Next, the result of step 5 is multiplied by this estimated percentage.

Key Points to Make

By the time you reach step six, you have the senior leadership team talking about diversity management in financial terms. Many of them will be surprised at the size of the dollar figure. You can mention the following things to help them get an even bigger picture:

- We used the lowest percentage. Others may have been higher.
- We used \$12/hour. Some people make more than this amount.
- We pay people for 8 hours worked, not 6 hours, therefore, this is real money sunk as a lost opportunity cost.
- This estimate did not include benefits, bonuses and other perks.

The estimate did not include people taking “mental health” days because the stress is too much, or interviewing for another job on sick leave time.

What If You Get Resistance?

If they would like a more accurate number than an estimate, ask them to let you survey employees and ask this question and in focus groups to see what percentage they come up with. (In my experience, this has always resulted in a higher numbers than given by management).

You might ask a question like “If you had this kind of financial loss in Marketing, Sales, Operations, etc., would this issue be important enough to get it on track and obtain the best possible return on investment?” “What if 50-60% of this loss could be turned around and put back into productivity, creativity, innovation, etc.?” Finally, if the group believes this amount is reasonable to lose and the cost will be incurred no matter what, you could always mention that since they see this as a write-off, put the dollars in your diversity budget for next year!

Hubbard & Hubbard, Inc. Corporate Overview

Human Resources Development Division

- Executive Development Training
- Management & Supervisory Training
- Workforce (Employee) Training
- Project Management
- Decision Analysis
- Customer Service Excellence
- Clerical Training
- And much more...

Diversity Measurement & Productivity Institute

- Measuring Diversity Results
- Measurable Diversity Strategic Plans
- Calculating Diversity Return on Investment
- Building a Diversity Measurement Scorecard
- Culture and Systems Audits
- Evaluating Your Diversity Training
- Creating Effective Diversity Councils
- And much more...

Consulting Services Division

- Diversity Measurement Systems Consulting
- Organizational Analysis
- Strategic Planning
- Business Process Re-engineering
- Climate Survey Analysis
- Large Scale Change Management
- Team Building
- Workforce Performance Consulting
- And much more...

Management Research & Technologies Division

- Competency Model Development
- Customer Satisfaction Surveys
- Employee Satisfaction Surveys
- 360 Multi-rater Feedback Processes
- Diverse Workforce Retention Analysis
- Diversity Return on Investment (DROI) Studies
- Productivity Analysis
- Performance Systems Analysis
- And much more...

Customized Instructional Design Division

- Web-based Training Development
- CBT-based Training Development
- Custom Course/Workshop Design
- Creating Training Technology Solutions
- Adding Training Return on Investment Metrics
- And much more....

Business Products Division

- Over 8,000 Book Titles to Choose From
- Video Tapes, Audio Tapes
- Personal Development Self-Assessment Tools
- CD-ROM Programs
- Personal Success Improvement Products
- And much more....

International Services Division

- HRD Services
- Consulting Services
- Measurement Services
- Customized Instructional Design Services
- Software Products & Services
- And much more...

Software Products & Services Division

- MetricLINK® Diversity Measurement Software
- 2020 Insights Gold 360 Multi-rater Software
- Survey Pro – Development/Analysis System
- Web Site Development Services
- Survey Service Bureau – Survey Dev/Processing
- Audience Keypad Voting – Meeting Support Services
- Off-the-Shelf/Custom Surveys and much more....

Hubbard & Hubbard, Inc. also offers comprehensive turnkey survey processing services, which can take your survey project from concept to delivery (if needed) and all stages in between.

A brief list of our services include:

- MetricLINK[®] Diversity Measurement Software System
- 360 Multirater Questionnaires
- Evaluations/Surveys
- Competency Assessments
- Certification Exams
- Keypad Voting Services
- Personal Development Surveys
- Customer Satisfaction Surveys
- Employee Opinion/Pulse Surveys
- Organizational Analysis Surveys
- Needs Analysis
- And much more

Hubbard & Hubbard, Inc. is an international full service organization and human performance-consulting corporation headquartered in the San Francisco Bay Area with offices throughout the United States, the Pacific Rim, and Europe. Our sole business is to help clients *“make a measurable difference in their personal and organizational performance”!*

Call Us Today, we can help! 707-763-8380