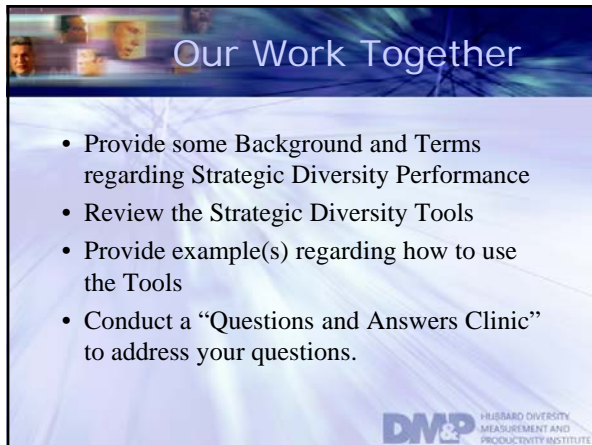


Diversity Training ROI:
How to Measure the Return on Investment of Training Initiatives

Presented By:
Dr. Edward E. Hubbard
Hubbard & Hubbard, Inc.
International Organization and Human Performance Corporation
Petaluma, CA

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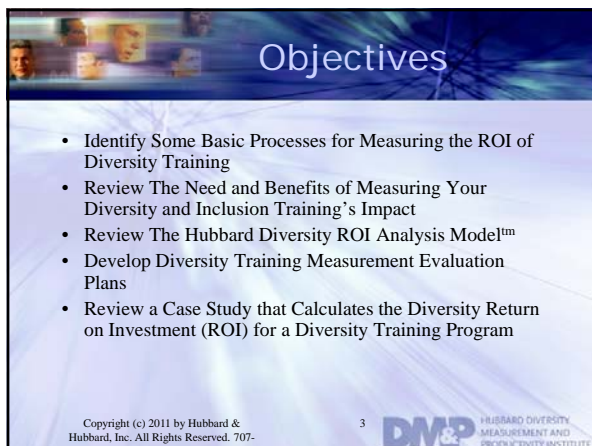
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Our Work Together

- Provide some Background and Terms regarding Strategic Diversity Performance
- Review the Strategic Diversity Tools
- Provide example(s) regarding how to use the Tools
- Conduct a “Questions and Answers Clinic” to address your questions.

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Objectives

- Identify Some Basic Processes for Measuring the ROI of Diversity Training
- Review The Need and Benefits of Measuring Your Diversity and Inclusion Training's Impact
- Review The Hubbard Diversity ROI Analysis Model™
- Develop Diversity Training Measurement Evaluation Plans
- Review a Case Study that Calculates the Diversity Return on Investment (ROI) for a Diversity Training Program

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A Foundation of Strategic Diversity Performance Knowledge

- It is important to understand how Diversity & Inclusion really **Drives Business Performance**
- **Merely saying** Diversity Training drives ROI is **not enough!**
- Executives and managers want to know if you can **demonstrate “How”** Diversity & Inclusion Training will make a **measurable difference** in meeting their business performance objectives.


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Need – Benefit Question

- Is it possible to calculate the DROI of a diversity initiative when a needs assessment was not conducted?


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Increased Demand for Proven Results

- Stakeholders who fund diversity training are interested in demonstrated results
- As expenditures grow, accountability becomes a more critical issue
- Stakeholders want to see measures of how diversity training expenditures contribute to the bottom-line

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The Ultimate Level of Evaluation

- The ROI Methodology adds a fifth level to the four levels of evaluation, which were developed almost 40 years ago by Kirkpatrick and enhanced with ROI more than 25 years ago by Phillips
- The Diversity ROI (DROI™) Methodology was created by Dr. Ed Hubbard more than 20 years ago.

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Diversity Evaluation Levels

Level	Measurement Focus
1. Reaction & Planned Action	Measures participant satisfaction with the initiative and captures planned actions.
2. Learning	Measures changes in knowledge, skills, and attitudes.
3. Applications and Implementation	Measures changes in on-the-job behavior.
4. Business Results	Measures changes in business impact variables.
5. Diversity Return on Investment (DROI™)	Compares diversity initiative benefits to the costs.

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ROI Is a Familiar Term

- ROI is a familiar term and concept for managers, particularly those with business administration and management degrees
- Today's Chief Diversity Officer (CDO) is more aware of bottom-line issues in the organization and are pleased to see the ROI Methodology applied to the evaluation of learning and performance improvement
- Many enlightened business managers often take a professional business approach to Diversity, with ROI being part of the strategy

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Accountability Trend

- For years, Diversity training managers convinced top executives that the impact of diversity training couldn't be measured, at least at the monetary contribution level.
- Yet, many of the executives are now aware that it can and is being measured in many organizations
- Top executives are subsequently demanding the same accountability from their Diversity training functions
- With the acceptance of ROI as a mainstream measurement tool for Diversity functions, the debate has shifted from *whether* ROI should be conducted to *how* it should be conducted on a consistent, standardized basis

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Linking Diversity to Organizational Strategy

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Diversity Definitions

- Diversity
 - “A collective mixture characterized by differences and similarities that are applied in pursuit of organizational objectives” (Dr. Roosevelt Thomas, Redefining Diversity, 1999)
- Diversity Management
 - “The process of planning for, organizing, directing, and supporting these collective mixtures in a way that adds a measurable difference to organizational performance” (Dr. Edward E. Hubbard, “How to Calculate Diversity Return on Investment”, 1999)

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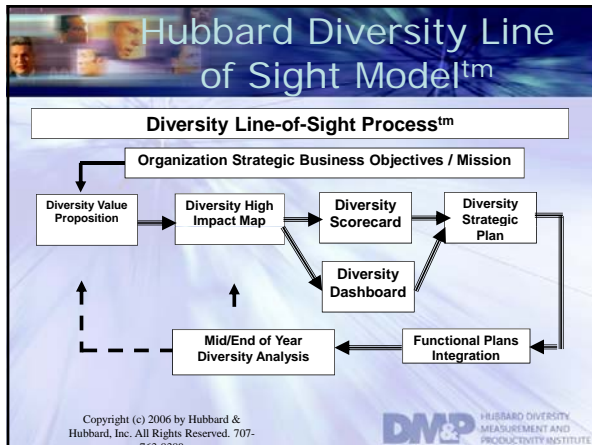
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Sample Diversity Mixture Categories

- **Workforce Diversity** (Group and Situational Identities)
 - Race, Gender, Ethnicity, Physical Ability, Sexual Orientation, Age, Parental Status, Economic Status, Geographic Background) etc.
- **Behavioral Diversity**
 - Work Styles, Thinking Styles, Learning Styles, Communication Styles, Aspirations, Practiced Beliefs/Values, Attitudes and Expectations
- **Structural Diversity**
 - Cross-functional Teams, Alliances and Interactions across Levels, Hierarchy, and Divisions, Teamwork, Acquisitions, Mergers, etc.
- **Business Diversity**
 - Diverse Customer Markets, Supplier Diversity, Global Diversity Strategies, Diverse Community Relations, Productivity, Customer Service, Cycle Time, Innovation, Labor Market Realities, Societal Expectations, Business Cultural Norms, etc.

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Hubbard Diversity High Impact Map (Links)

Organizational Objectives	Diversity Objectives	Diversity Metrics	Diversity Initiatives	Value-Added

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Book: The Diversity Scorecard
by Dr. Ed Hubbard

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Automated Diversity
Measurement and Reporting

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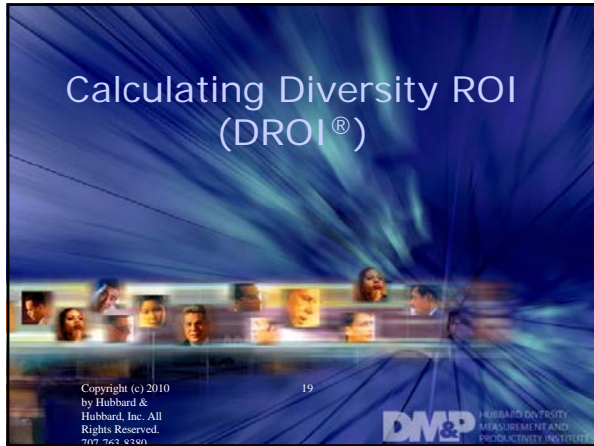
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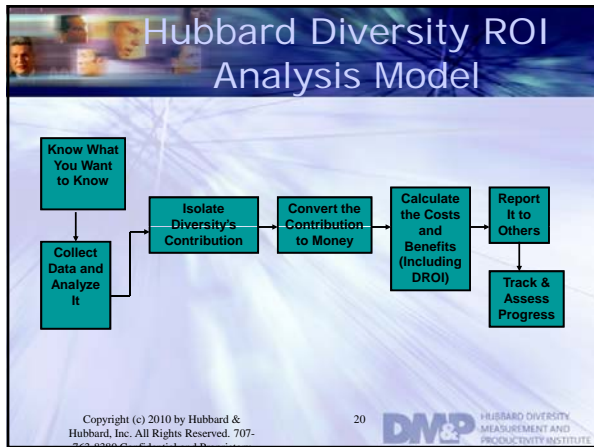
Hubbard MetricLink® -
Online Performance Measurement and
Tracking Dashboard and Scorecard Service

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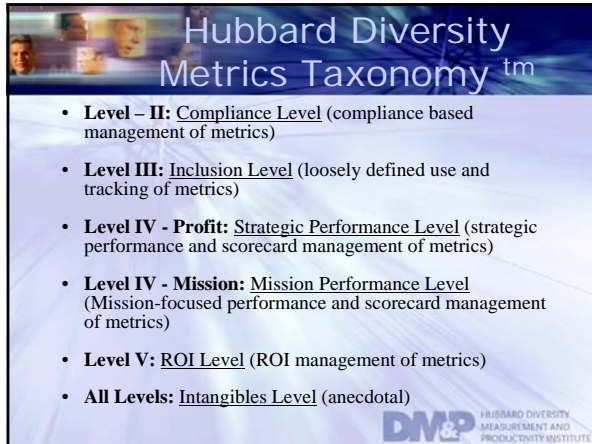
Hubbard Model for Diversity
ROI® Intervention Evaluation

Level of Evaluation	Measures	Answers the Question
Level 1	Reaction & Planned Actions	Did they Like it and Plan to Use It?
Level 2	Learning	Did they Learn it?
Level 3	Application and Transfer	Did they Actually Use it?
Level 4	Results	Did it Make a Difference?
Level 5	Diversity Return On Investment (DROI®)	Was it Cost Effective?
Level 6	Intangibles	Did it Add Value Beyond Financial?

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Hubbard Diversity Metrics Taxonomy tm

- **Level – II: Compliance Level** (compliance based management of metrics)
- **Level III: Inclusion Level** (loosely defined use and tracking of metrics)
- **Level IV - Profit: Strategic Performance Level** (strategic performance and scorecard management of metrics)
- **Level IV - Mission: Mission Performance Level** (Mission-focused performance and scorecard management of metrics)
- **Level V: ROI Level** (ROI management of metrics)
- **All Levels: Intangibles Level** (anecdotal)



Diversity Training ROI Analysis Process

- Initial analysis and planning
- Collecting and analyzing data
- Isolating diversity's contribution
- Converting the contribution to money
- Calculating the costs and benefits
- Reporting data
- Tracking and assessing progress

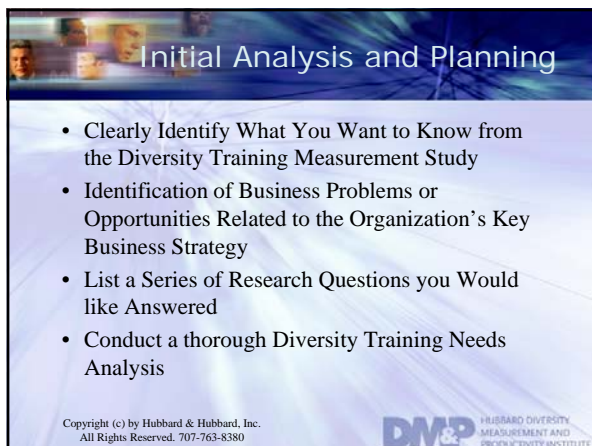
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Initial Analysis and Planning

- Clearly Identify What You Want to Know from the Diversity Training Measurement Study
- Identification of Business Problems or Opportunities Related to the Organization's Key Business Strategy
- List a Series of Research Questions you Would like Answered
- Conduct a thorough Diversity Training Needs Analysis

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Diversity Training Needs Analysis

1. **Validate the Request**
2. **Determine the Background Information Needed**
3. **Identify the Business Need for the Analysis**
4. **Identify the Expected Outcomes for the Solution**
5. **Analyze the Risks Involved in Conducting the Analysis**

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The slide features a blue background with a network of white lines. At the top left, there is a small image of a person's face. The title "Diversity Training Needs Analysis" is in white text. The list of five steps is in bold black text. The footer contains copyright information and the DMP logo.

Diversity Training Needs Analysis

6. **Gain Commitment to Conduct the Analysis**
7. **Clarify the Information Needed from the Analysis based on the Type of Request**
8. **Determine the Information You Have and What You Need**
9. **Define Specific Information**
10. **Develop a Diversity Training Needs Analysis Project Plan.**

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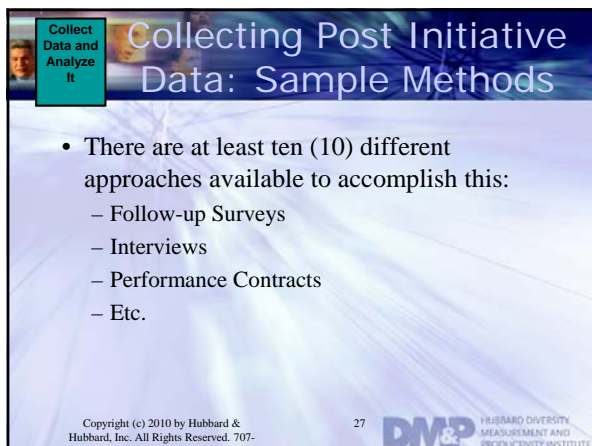
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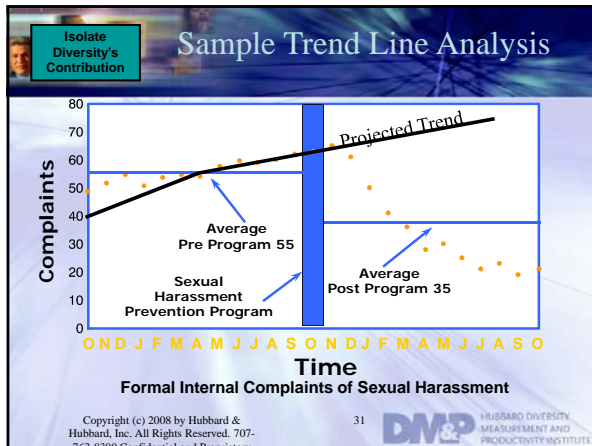
Collect Data and Analyze It

Collecting Post Initiative Data: Sample Methods

- There are at least ten (10) different approaches available to accomplish this:
 - Follow-up Surveys
 - Interviews
 - Performance Contracts
 - Etc.

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-
- Converting Data To Monetary Values**
- * **Converting output to contribution**
 - * Standard Values:
 - * Sales Converted to Profit e.g., profit as a % of revenue
 - * **Converting the cost of quality**
 - * **Converting employees' time**
 - * **Using historical costs**
- From the Book: "How to Calculate Diversity Return on Investment" by Dr. Edward E. Hubbard, 1999, 2004.
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Defining The Diversity Return On Investment

$$DROI = \frac{\text{Net Initiative Benefits}}{\text{Initiative Costs}}$$

$$\text{Benefit/Cost Ratio} = \frac{\text{Initiative Benefits}}{\text{Initiative Costs}}$$

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Calculate the Costs and Benefits (Including DROI)

Defining Diversity Return on Investment: Example

(Benefit) (Cost)
\$200,000 - \$50,000

\$ 50,000 (Cost)

\$200,000

\$ 50,000

= 3 x 100 = 300% DROI

= 4 : 1 BCR

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Calculate the Costs and Benefits (Including DROI)

Potential Intangible Benefits

- Increased Job Satisfaction
- Increased Organizational Commitment
- Improved Teamwork
- Other _____

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The DROI Process Takes A Balanced View Of Evaluation By Measuring And Reporting:

- Reaction to Diversity Initiatives
- Learning and Attitudes
- Applications on the Job
- Impact in Work Unit
- Intangible Benefits
- Impact on Diverse Customers
- The Financial Results
- Nature and Source of Problems and Opportunities

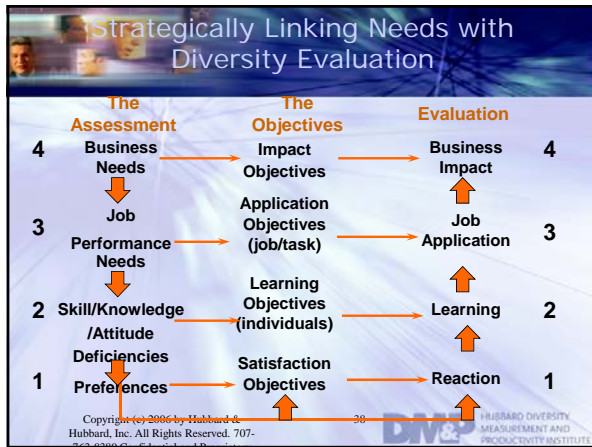
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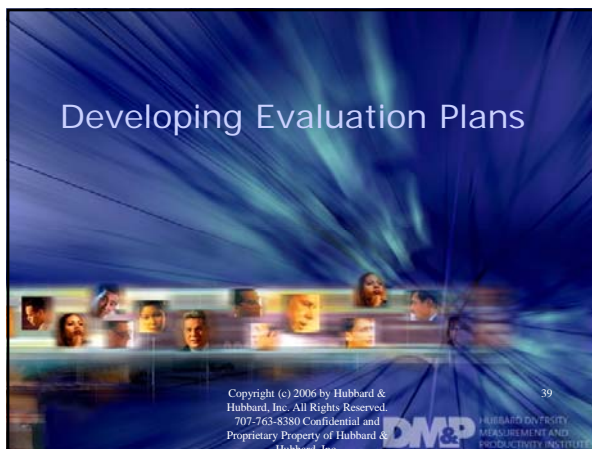
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Suggested Evaluation Targets

<u>Level</u>	<u>Target</u>
Level 1, Reaction	100%
Level 2, Learning	75%
Level 3, Application & Implementation	50%
Level 4, Business Results	20%
Level 5, ROI	10%

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Diversity Training Evaluation Planning

- Identify your Data Collection Methods for each Level of Analysis
- Link Data Collection to Specific Training Objectives for the Course
- Describe the Timing for Follow-up at each Level
- Indicate Who will be Responsible and Accountable for Completing each Task

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Diversity Training ROI Case Study

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Summary

- **Raised manager awareness**
- **Helped initiate action to promote inclusiveness**
- **Contributed to reduced turnover and increased employee satisfaction**
- **Intangible improvements in culture and atmosphere at Nextel**
- **Managers are willing, but need time, resources, and suggestions to continue improving**

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Q&A and How to Reach Us

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