



# Unleash the ROI of DE&I with the 5-Star Model

Making the Business Case for Diversity, Equity, and Inclusion

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## Abstract

Although it may be easy to dismiss diversity, equity, and inclusion (DE&I) as soft skills that have no direct correlation to business success, the reality is that organizations with a diverse talent pool outperform their competitors and see higher returns on equity. In addition, since customers come from diverse backgrounds, organizations should ensure their products and services align with the needs of their customers to win and keep their business. With the Inspirus Consulting Inc., Five Star Intersectional Diversity Model, organizations can identify areas to improve DE&I in order to reap the benefits of a diverse and inclusive workplace.

## Introduction

Do you know the cost of avoiding DE&I work, or the connection between DE&I and your organization's bottom line? Understanding the ROI—including, but not limited to, financial ROI—is an important first step in assessing which strategies and objectives to pursue. After exploring the ROI, we will address some of the challenges organizations face when rolling out DE&I initiatives and provide practical recommendations for this work using the Five Star Intersectional Diversity Model. A case study then highlights real-world application and the value-add of DE&I investments.

## Key Insights

### The ROI of DE&I

Diversity, equity, and inclusion are aimed at improving the human experience in society. For businesses, whose purpose is to turn a profit, it may seem to be easier to focus less on the human side and more on what directly increases revenue and reduces costs. Research shows that thoughtful and strategic DE&I efforts bring a positive return on investment to organizations who make concerted efforts to create inclusive and psychologically safe work environments.

A McKinsey study of 180 large, publicly-traded companies in the US, UK, France, & Germany found that **organizations with more diversity had 53% higher returns on equity and 14% higher earnings** than less diverse organizations (in Donahue, 2022, 5). McKinsey also found that **organizations with at least one female on their board outperformed** those with no females on their board **by 26%**. With such returns, it can hardly be contested that DE&I investments make solid business sense.

The National Diversity Council (2020) found that Hispanics had approximately \$1.7 trillion in buying power in 2020 in the US, while Black buyers had \$1.5 trillion, and LGBT people had an estimated \$1 trillion in buying power. Being attuned to the needs and wants of the diverse marketplace has potentially positive financial implications for organizations, since those who

are aligned with their customer base have a higher competitive advantage to gain and maintain market share.

Not only does a diverse organization produce positive results, an inclusive and psychologically safe organization also reduces discrimination. Cases of discrimination complaints settled on average for \$260,000 in favor of the complainant in the US between 1997-2001, and have reached up to \$250 million (Diversity Inc., 2003, 84).

#### Section Recap

- More diverse organizations have higher output than homogeneous ones

## Market and Community Expectations for DE&I Investment

When it comes to customer service—whether in the for-profit, non-profit, or NGO/government sector—DE&I is also important to build into product- and service offerings. Lauren McClain (2022), an Inspirus Consulting, Inc., consultant notes:

*“for companies to be customer-obsessed, the organization also needs to be obsessed with their own employees and take into consideration how their employees feel. Organizations need to enable employees to bring their full selves to work, so that they can take care of the customer.”*

Customer service goes beyond what the organization offers its customers for sale. It also includes how it delivers these goods and services and how it communicates with their customers. For example, accessibility<sup>1</sup> is often overlooked as a business requirement. Customers and employees need different methods to be able to communicate with and access information from organizations, whether through screen readers and accessibility compliance for web content, subtitles for videos, ramps and elevators to access offices/storefronts, or TTY for telecommunication.

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<sup>1</sup> There are many aspects to accessibility. Listed here are a few examples.

According to The World Bank (2018), at least 1 billion people, or approximately 15% of the world population, have a disability, and the annual spend of those with disabilities is approximately \$7 trillion annually globally; of that, approximately £249 billion is from individuals and their families in the UK, and \$200 billion in the US (W3C: Web Accessibility Initiative, 2018). Overlooking 15% of the population's needs, while a missed business opportunity, may be morally objectionable to many. Therefore, as Ahli Moore (2022), also an Inspirus consultant, states, "organizations should be diverse to match the communities they serve and the buyers of their products/services. Buy from other organizations that match their own values. More and more customers of companies are more aware of and selecting companies that source from diverse groups."

#### Section Recap

- To create innovative products and services, organizations first need to know their customers

**To what degree does your organization meet your customers', community, investors', and employees' needs/expectations with respect to DE&I?**

## Challenges along the Way

There is no doubt that change is hard; this is also true for DE&I transformation. The work can be uncomfortable (White, 2021, 13). DE&I work is complex due to the need to involve everyone from all levels of system. It is perpetual; "the work is never finished." Risk-averse organizations avoid DE&I because they fear making mistakes. Furthermore, the DE&I field is always evolving (new terminology, practices, training, certifications, etc.), which causes resistance to change.

In addition, calculating ROI for initiatives that rely heavily on soft skills can be challenging in itself, making it difficult to track progress and measure the value of DE&I. It also may seem that the target of what is important to focus on moves rapidly. For example: many consumers are now educating themselves on the supply chain and focus their spending with companies

who not only invest in DE&I internally, but who also support diverse suppliers and community DE&I initiatives.

Further, as Ahli Moore (2022) one of our Inspirus consultants puts it: “Unless the person/people at top fully commit to addressing DE&I topics, then it doesn’t work. Even if there are diversity councils, change teams, and DE&I officers. Some executives want to buy into DE&I but are not sure how to make it happen. They need support”. That support usually comes in the form of expert consultants and coaches who are trained and accredited to both manage change and educate others on DE&I topics ethically.

#### Section Recap

- DE&I work is challenging and can be difficult
- Senior executives need to fully commit to DE&I for it to be successful

**If you were able to make one DE&I improvement today (for yourself, your team, or your organization), what would it be?**

**What impact would result in this change?**

## Noteworthy Findings

Despite the data telling us that more diversity is good for business, data also show us—at least in the US and Canada—that there is a trend that organizations are at high risk of losing much of their diverse talent.

### Women Are Leaving their Organizations Faster than Men and at a Higher Rate than in Recent Years

In a McKinsey study including 333 US and Canadian companies, it was found that for every 100 men who are promoted, only 87 women, or 82 women of color, are promoted (2022), and women who are a married parent make 76% of men’s salaries (with white fathers’ salaries

being highest) (Budig, 2014). In addition, women leaders are switching jobs more frequently now than in recent years, with more women than men leaving their positions than ever before. The three reasons McKinsey has found causing this trend are:

- an eagerness to advance, but facing more challenges than men;
- being overworked and under-recognized; and
- having a desire for a better work environment / culture.

Microaggressions<sup>2</sup>, along with being mistaken for being more junior and being overlooked, are linking factors for the above causes. While women are twice as likely than men to focus on DE&I initiatives, 40% of women leaders say that their contributions and leadership in DE&I is ignored or overlooked. These experiences are compounded even further for women of color, with 20% of Black women leaders reporting to McKinsey that someone has said or implied that they are not qualified, compared to 12% for all women leaders and 6% for all men leaders. Black women leaders also experience their judgment being questioned at a higher rate (55% compared to 39% for all women and 28% for all men).

When it comes to career development, “Latinas and Black women are less likely than women of other races and ethnicities to say their manager shows interest in their career development” (McKinsey & Company, 2022). Additionally, Asian women and Black women both responded that they have fewer strong allies to support their career development or to receive public praise or acknowledgment of their capabilities. Women with disabilities also face an uphill challenge: others in the workplace question their skills, capabilities, or contributions. Women in the LGBTQ+ community also reported microaggressions in the workplace, receiving comments that they “look mad” or “should smile more.”

When women are allowed to work remotely with flexible work locations, they experience fewer microaggressions, according to McKinsey (29% who work mostly on-site reported microaggressions, 24% for those working hybrid, versus 19% for those working mostly remotely). Women with disabilities who work mostly on-site experience the most microaggressions (43%); for LGBTQ+ the rate is 39%, and women of color at 36%. When

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<sup>2</sup> Recommended article microaggressions: <https://hbr.org/2020/07/when-and-how-to-respond-to-microaggressions>



asked about experiences of being micromanaged, fewer women with disabilities reported a perception of being micromanaged than those who work mostly on-site.

#### Section Recap

- Women are leaving their jobs at a faster pace than men due to non inclusive workplaces and policies
- Workplace flexibility has an impact on the wellbeing of employees from demographic groups that have less privilege

**In what ways might you have overlooked someone because of the identity group(s) to which they belong?**

**How could you support people in minority or marginalized groups to have more equitable access to resources, support, and/or career development?**

## Hiring Leaders Requires Seeking Candidates with Specific Capabilities

Studies continue to show that teams with greater diversity of thought, experiences, and culture outperform those with less diversity (Page, 2007). However, as pointed out in our white paper *Core Competencies and Leadership Skills for the Current Era*, the majority of US organizations lack diversity in leadership and executive levels. The question becomes: *how do I improve DE&I in my organization to improve overall performance?* Recruitment of diverse talent at all levels of the organization (entry-level up to executive and board member) is an excellent starting point.

The recruitment process might even need to start much further up the process by engaging younger generations to consider entering the talent pool for the organization's industry or field. Creating opportunities for those who are disadvantaged to enter a field they might otherwise never have considered could include offering scholarships, mentorships, traineeships, internships, etc. In an upcoming article, we will explore the case for recruitment with a DE&I lens in more detail.

In our white paper, *Core Competencies and Leadership Skills for the Current Era: Diversity, Equity, and Inclusion in Organizations*, we outlined many of the competencies organizations should look for and develop in leaders. The one most interesting to organizations in today's era is from Harvard Business Review (HBR) (Sadun et al., 2022), that it is not enough to merely have business savvy, but rather to have sharp social skills. This is because organizations need to hone their competitive advantage in new ways since day-to-day tasks increasingly become automated, raising the need to find ways to differentiate from competitors. One way to do just that, according to HBR, is to ensure leaders effectively communicate, especially in large, complex, and skill-dependent industries.

Included as a needed social skill is the ability to lead proactively diversity, equity, and inclusion with empathy (Sadun et al., 2022, 11), which ironically is also a challenge for organizations to manage effectively. A large gap remains for many: creating processes to evaluate leaders' (and candidates') DE&I and social skills proficiency, and how to set effective growth plans for leaders in this area. One potential factor in this gap is that leaders in western culture historically have been part of homogenous social circles.

When leaders and board members are homogenous and part of the same social circles, the tendency to seek candidates similar to one's self becomes too easy. Furthermore, this causes organizations' risk for bias to increase during recruitment. Organizations with leadership teams that lack diversity may then experience difficulty addressing systemic issues that impact DE&I outcomes, such as unfair salaries and promotion practices, recruitment of homogenous candidates, and mishandling of HR-related complaints / grievances.

#### **Section Recap**

- Lasting change requires seeking individuals with the right competencies to join the organization
- Social skills are key to successful and impactful leadership in the modern era

**How often do you seek out candidates who are different from you for new positions and/or promotions?**

## Training Managers is Key to Success

After leaders are in the organization, it is also important to ensure that they have adequate training and support to bring about a positive impact. McKinsey (2022) found that organizations generally lack sufficient training and recognition of their managers. Despite 82% of organizations in the study reporting that their training programs cover how to foster inclusion and belonging in the workplace, only 34% reported that they include progress on DE&I initiatives in managers' performance evaluations. The study also found that there is a significant boost in psychological safety when managers are trained to take appropriate actions, relating directly to organizations' ability to train managers on DE&I. When managers take appropriate action<sup>3</sup>, then 76% of employees are more likely to intend to stay with the organization for the next year, compared to 37% when managers fail to take appropriate action.

### Section Recap

- Leaders and managers need more relevant training
- Few organizations measure managers' progress on DE&I initiatives in performance evaluations

**What could you do differently to ensure psychological safety for others in the workplace?**

**How could you improve your organization's manager evaluation program to track managers' contributions to DE&I objectives and key results?**

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<sup>3</sup> McKinsey defines "appropriate action" as providing helpful feedback, managing workload, showing interest in career growth, checking on individuals' well-being, giving credit for work, and focusing on DE&I with their team

## Using the Five Star Model to Improve Organizational Performance through DE&I

Approaching strategic transformations requires careful consideration. The Five Star Intersectional Diversity Model (see Figure 1 below) is a tested and research-backed approach to ensure that transformative initiatives bring the return on investment that is right for your organization. Throughout the steps in this model, proven research, methodologies, and insights are integrated into the plan and each step of the journey.

After exploring the steps of the Five Star Model, there is a case study to show how an organization used the model to develop both a DE&I strategy and an action plan.

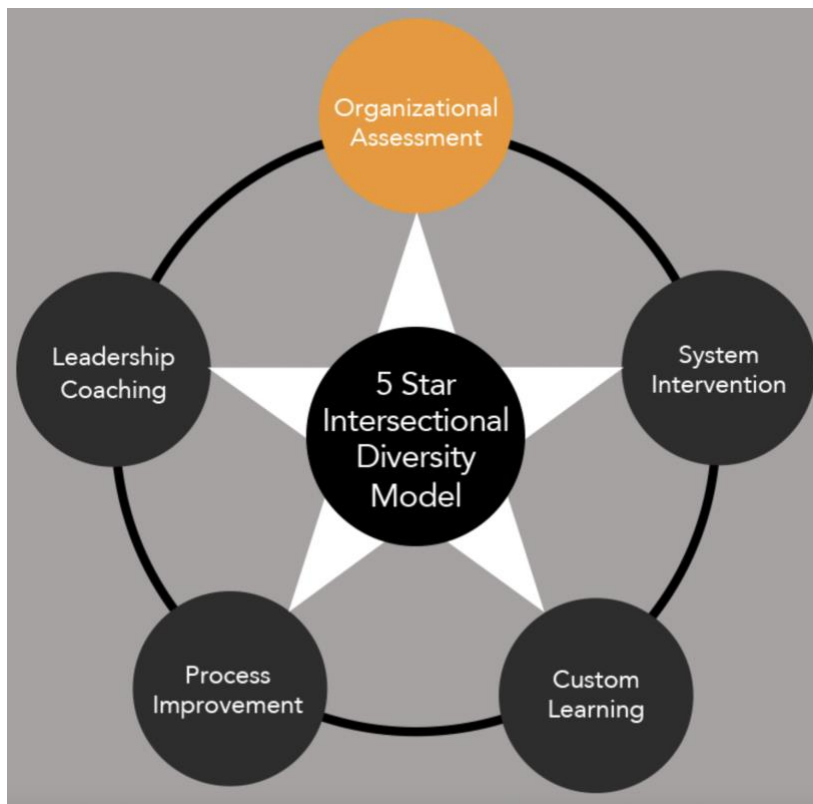


Figure 1: Inspirus Consulting Inc.'s Five Star Intersectional Diversity Model

The first step is to conduct an **organizational assessment** to check the current state and understand the opportunities motivating a transformation and strengths the organization can rely upon. This includes a systematic feedback collection process to identify root causes that either help or hinder achieving strategic objectives.

Next, a **system intervention** takes place based on the outcomes of the assessment. Using the findings in the organization assessment mentioned above, custom interventions aim to overcome any strategic hindrances, leveraging organizational strengths. Such interventions are based on applied behavioral sciences best practices and data-based research to bring about desired change.

Third, the organization goes through a **custom learning** process. With adult learning experiences tailored to the needs of an organization, custom learning and development provides new tools, insights, and perspectives for members across all organizational levels. This can include such focus areas as unconscious bias training; diversity committee team development; and DE&I initiative awareness, improvement, and renewal.

Fourth, world-class **process improvement** tools and methods integrate directly into measurable outcomes. DE&I strategic planning processes, employee resource group launch and collaboration processes, diverse recruitment processes, among others, result in improved performance, innovative ideas, and repeatable processes that can be applied continuously to new changes and improvements.

Lastly, **leadership coaching** provides leaders and executives the opportunity to assess their individual leader vision, goals, and approach in relation to desired outcomes. Problem solving, conflict resolution, diversity leader mastermind groups, cultural competence assessments, and other programs provide leaders with an objective sounding board and a chance to hear feedback. Further, leaders who receive coaching also have the opportunity to deepdive into personal growth and receive challenge/support for their ideas to continuously improve.

## Applying the Five Star Model: A Case Study

A medical equipment manufacturer in the US Midwest approached Inspirus Consulting, Inc., and the National Diversity Council (NDC) about how to attract a more diverse workforce in a

region with historically less attention in this area. The company also wanted to establish an inclusive culture, positively impact their community, and continue to be a competitor in the region. They needed a long-term, sustainable DE&I strategy to reach these goals.

During the engagement, which used the Five Star Model, an in-depth analysis of both qualitative and quantitative data, such as hires, terminations, pay equity, performance reviews, and promotion, allowed for data-based decision making to shape the top DE&I priorities important for the organization and their objectives. Key leader interviews and focus groups further enhanced the analysis and were a catalyst to starting the action-planning phase. As a result, leadership realized that some of their internal processes needed to be changed so that they would be more equitable and more transparent.

Five DE&I strategies arose from the work:

1. Develop and implement DE&I leadership competencies, including 100% buy-in from leadership on the common understanding of these competencies,
2. Train leaders and recruiters on DE&I interviewing practices to establish more equitable hiring processes,
3. Conduct a diversity talent acquisition assessment to increase diverse talent hiring,
4. Develop leader and staff training, and
5. Establish a DE&I dashboard to monitor progress and identify areas for further investigation.

#### Section Recap

- More diverse organizations have higher output than homogeneous ones

**If you were to conduct an organizational assessment today, what would be the top 2-3 areas you would like to assess and why?**

## Get the Most ROI out of DE&I

We realize that DE&I is tough work, and many organizations and leaders need support making strategic transformations to better meet their needs and the needs of their customers and employees. At Inspirus Consulting, Inc., we have a highly trained and experienced team of consultants and coaches to help you through the process using our Five Star Intersectional Diversity Model. Contact us today for more information on how to get started on your DE&I transformation today.

Inspirus Consulting has 15+ years of experience coaching leaders and guiding organizations on planning effective and impactful diversity, equity, and inclusion initiatives.

We help you achieve results because we value research-backed methodologies and data-based decision-making.

[Contact us](#) for more information on how Inspirus Consulting can help you with your DE&I strategy.

<https://inspirusconsulting.com/contact/>



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## Appendix A: Five-Star Model and Intersectional Area

### Outcomes

Intersectional Areas	Processes	Outcomes	Examples
<b>Change / Transformation Theory, Models, and Tools</b>	Provide organization assessments through the systematic collection, analysis, and feedback of valid data	Root cause issues that may help or hinder strategic objectives are made visible. Specific action plans and project teams are formed and equipped for change.	<ul style="list-style-type: none"> <li>-Mobility data review</li> <li>-Impression data review</li> <li>-Data analysis</li> <li>-Data feedback</li> <li>-Priority setting</li> <li>-Diversity / change team development</li> <li>-Communication development</li> </ul>
<b>Leadership Coaching</b>	We will assess individual leader vision, goals, and approach in relation to desired outcomes. We'll also create coaching development plans for leaders before, during, and after initiative launch	Leaders receive a self-assessment, objective sounding board opportunity and a chance to hear objective feedback. They also receive challenge / support for their ideas, and an opportunity for deep dive personal development and growth. This deliverable could also include Change Team members.	<ul style="list-style-type: none"> <li>-Cultural competence assessment and development</li> <li>-Conflict resolution</li> <li>-Diversity leader mastermind group</li> <li>-Leader effectiveness</li> <li>-Problem solving</li> <li>-Idea generation</li> <li>-Presence consulting</li> <li>-New leader assimilation</li> <li>-First 100 day planning</li> <li>-Leadership visioning and values</li> </ul>

Intersectional Areas	Processes	Outcomes	Examples
<b>Applied Behavioral Science (ABS) Insights</b>	Relevant research and insights from the ABS will be integrated into implementation plans, training, and interventions (i.e. Psychology, Sociology, Anthropology, Neuroscience, Mindfulness & Happiness)	You'll understand how insights and knowledge from the ABS influence desired individual, team, and organization behavior and group dynamics.	<ul style="list-style-type: none"> <li>-Emotional intelligence and diversity</li> <li>-Happiness and diversity</li> <li>-Neuroscience and diversity</li> <li>-Increasing employee engagement</li> <li>-Creating a more engaged workforce</li> </ul>
<b>Custom Learning and Development</b>	We will design and facilitate custom learning experiences which evoke Adult Learning reflection and life application (personally and professionally)	The data informed training and development will provide new tools, insights, and perspectives for members across the enterprise (at all levels of system – individuals, teams, organizations, & external implications).	<ul style="list-style-type: none"> <li>-Unconscious biases</li> <li>-Diversity committee team development</li> <li>-Diversity initiative awareness, improvement, renewal</li> </ul>
<b>Continuous Process Improvement Methodology and Tools</b>	We will integrate outcomes into world class process improvement tools and methods for innovative problem resolution, process redesign and continuous improvement	Organizations will experience team collaboration, innovative ideas, improved performance and a repeatable process, which can be continuously applied to new changes and improvements.	<ul style="list-style-type: none"> <li>-Diverse recruiting process</li> <li>-Inclusive talent management / succession planning</li> <li>-Interview questions</li> <li>-Diversity council / task force start up and ways of working</li> <li>-Employee Resource Group launch and collaboration process</li> <li>-New product / service or process ideation</li> <li>-Diversity / inclusion strategic planning process</li> <li>-Express workout process improvements</li> </ul>