

Financial/Business Acumen

The ability to grasp the discourse of business – why it exists, its underlying principles, its enablers, and threats. The ability to read financial statements and understand strategies to generate revenue, penetrate markets, and increase profit margins, plus how organization structure and processes support these strategies.

Let us have a heart-to-heart conversation right away on this financial and business acumen competency: the need goes a lot broader and deeper – and the performance gap is greater – than most D&I practitioners realize. Further, among the personal mastery and technical proficiency competencies, this one will have the greatest impact on your influence with executives and your greatest contribution to the firm's profitability.

Financial and business acumen goes beyond building smart and solid budgets and managing them well. It also goes beyond making a compelling business case for D&I that is tied to marketplace penetration and being a best employer attracting the best talent. As vital as these financial and business skills are, they are often performed with limited impact on what is required to move with greater power and influence.

Bottom line: being proficient in the discourse and language of business and finance is to speak the heart language of business leaders. If D&I is the discourse and *cross-cultural, mission, access, advocacy, identity, engagement* are at the core of the heart language of the D&I practitioner, then *growth and profits and margins, cost containment, revenue producing, threat mitigation, opportunity maximization, and beating the competition* are at the core of the heart of the language of the business leader responsible for the organization's P&L.

So let us begin with a top-down story. A story of how business leaders can lose their way, not as D&I champions, but as business leaders. And from this story glean some key principles of how D&I practitioners can operate with greater financial and business acumen in the organization while bringing to bear their distinct D&I insights and perspectives.

When Kodak filed for Chapter 11 bankruptcy protection in 2012, the move capped more than 100 years of an iconic company's leadership in the photography industry.¹ As a variety of business analysts probe and discuss the company's failings,

one theme continues to rise to the top: Kodak missed the boat on the digital photography revolution. But how could that happen, when Kodak invented the digital camera more than 40 years ago?

Some pundits maintain that company leaders were too complacent, too timid in the face of innovation, or simply poor listeners. There have been tales of company managers valiantly trying to send information up the corporate hierarchy that the marketplace had changed and what impact it might have on the business. All to no avail.²

As the facts are uncovered, dissected, and scrutinized, one thing remains clear: Kodak officials did not understand their industry as well as they thought. Senior leaders misunderstood their consumers and the reasons consumers purchased cameras. They misread the competitive landscape, all of the market drivers involved, and the social and digital forces transforming the marketplace. And they assumed that since Kodak had created the photography industry, the company would always be an industry leader.

As business analyst Avi Dan stated in a *Forbes* magazine article, Kodak officials did not truly understand their core business, thinking they were in the photography business when in actuality they were in the storytelling business – that pictures were fundamentally a way for consumers to capture and share the stories of their lives. Technology facilitates that storytelling or impedes it. Rarely is technology alone the reason a consumer buys a camera.³

These are not the only smart C-suite leaders who both rode and then later missed changing market forces. Blockbuster gave way to Netflix and other providers of digital content; *Newsweek* fell victim to online news sources and aggregators, such as *Huffington Post*; and bookseller Borders filed for bankruptcy while Amazon captured half of the books sales. Technology pioneers such as CompuServe, AOL, BlackBerry, and Myspace fall prey to NexisLexis, Google, Apple, and Facebook.

If the most visionary business leaders can be outmaneuvered by nimble upstarts, how can D&I practitioners provide strategic relevance and add value to the businesses with so many competitive complexities? How can we effectively support the “business of business?”

Like all the other competencies, business and financial acumen is a skill that can be learned. Diversity Best Practices defines it as:

The ability to grasp the discourse of business – why it exists, its underlying principles, its enablers, and threats. The ability to read financial statements and understand strategies to generate revenue, penetrate markets, and increase profit margins, plus how organization structure and processes support these strategies.

Acquiring this skill set requires honing your intuitive, theoretical, and practical understanding of your company’s strategic perspective, decision tradeoffs, cash flow drivers, market orientation, and competitive landscape. While the statistics and metrics are important, it is not just about the numbers. From the inside out, it is about how the numbers inform corporate decisions about revenue generation, expense management, and reaction to competitors. From the outside in, it is about reading business, technology, political, regulatory, and demographic trends and their implications on business models, and the design, development, and marketing of products and services.

For D&I professionals, this means there are plenty of ways to contribute to and to help execute business strategies. It requires the ability to identify where and how diversity and inclusion can anticipate, shape, and advance business and operational strategies. It is being able to quantify where diversity and inclusion contributes to the top line and helps manage the bottom line.

On a more tactical level, business and financial acumen also depend on the capacity for interpreting financial reports in ways that discern business strategies and direction. Let us delve deeper into these topics.

Learning the Language of Finance

The business and financial acumen is not just a gap for many D&I practitioners. As staffing costs and challenging economic times transform organizations and increase the need for employees at all levels to understand business dynamics, several studies indicate that too many employees are woefully unprepared to help their organizations meet business goals. The *2013 Skills Mismatch: Business Acumen and Strategy Execution* report by BTS, a strategy implementation consulting firm, and the Economist Intelligent Unit, showed that most companies simply do not have the business intelligence needed to execute business strategies. The survey found that critical employees at all levels lack the essential knowledge about how their companies make money. And about 67 percent of respondents said that this lack of understanding surrounding their business limits their ability to accomplish strategic goals.⁴

This lack of business judgment, as well as the shift so many companies have made to identifying their people as “assets” (who also happen to be increasingly diverse) may be factors in why there is a growing move for CFOs to become involved in HR and in diversity. A 2012 article in the Society for Human Resource Management (SHRM) discusses the “growing buzz” around senior-level financial professionals entering the realm of human resources and diversity. The article states, “Particularly in tough economic times and a service-driven economy, staffing costs, and productivity move to the forefront of executive concerns. The perspective that a CFO might bring to HR issues can help identify ROI and boost HR professionals’ [and diversity practitioners’] chances for getting that coveted seat at the table.”⁵

Such a corporate move represents both risk and opportunity. The risk is that HR and diversity functions may be overtaken by financial leaders who may not fully understand the depth as well as subtleties of this work and merely look at diversity initiatives as an expense with little contribution to the top or bottom lines.

The opportunity is for HR and diversity professionals to up their game, get familiar with their company’s financial and business direction, and become trusted counselors on strategic business issues. Seeing this coming change as an opportunity also recognizes that many diversity professionals do not have formal financial training and often come from other HR disciplines such as talent management, recruitment, compliance or training and development. Wrapping our arms around an area where you may feel less than confident requires courage and a thirst for continuous learning.

A warning, though: Merely sprinkling your conversations with financial terms like return on investment (ROI), return on equity (ROE), return on assets (ROA), cash flow, or top line and bottom line is insufficient. Doing so without truly understanding the true financial meaning of those terms will not deceive anyone into believing that you “get” the financial strategy or that your diversity and inclusion efforts will actually enhance business, reduce vulnerabilities, and mitigate threats.

For example, speaking at a Diversity Best Practices Best Practice Session in 2011, Gudrun Granholm, CEO of Box One, Inc., a financial training and consulting firm, and former CFO at Hanna Andersson and controller at the Smithsonian Institute and financial analyst at the *Washington Post*, explained that diversity professionals often misuse financial terms, such as ROI. Too often, she said, ROI is used by diversity practitioners to discuss the value created by inclusion activities. In the financial field, however, ROI deals with real, measurable financial results, such as increased revenue and margins. Terms suggesting avoided costs or estimated benefits can be considered fuzzy financial language, not valid data.⁶ Such sleights of

language and deceptive oral exercises may, in fact, only illustrate how little financial acumen you actually possess.

Financial professionals have a precise meaning for ROI that is rooted in cash flow. At its simplest, ROI is used to measure the profitability of an investment. Basic ROI subtracts the cost of an investment from the gains of the investments and divides it by the cost of the investment.

$$\frac{\text{Investment Gains (Dollars)} - \text{Investment Costs (Expenses)}}{\text{Investment Costs}}$$

This basic formula does not take into account issues such as time (time value of money or payback period) depreciation, or indirect costs (support staff, administrative costs, IT, training and development, etc.).

And there can be several ways to evaluate ROI. A diversity practitioner, for example, may look at two different diversity initiatives. After reviewing the direct costs for each program, the practitioner looks at the benefits. Does it generate revenue, cut actual expenses, or add value in another measurable way? Then the practitioner does the simple division of dividing the benefits by those direct costs to get a value or benefit ratio. A financial professional, may look at the same two programs taking into account revenue generation or expense cuts and divide it by total value of *all* resources or costs such as support from IT, marketing, HR, operations, etc. Where applicable, the payback period, depreciation and other factors can be included in more detailed ROI assessments. This process can be further complicated for diversity and inclusion professionals because the nature of our activities rarely directly generate revenue or cut actual expenses, but can call on multiple corporate resources.

At this same Diversity Best Practices Best Practice session in 2011, Timothy Kenney, senior vice president and general auditor for Freddie Mac, shared how this works when he talked about some financial indicators from the company’s flexible work arrangement. The program included elements such as teleworking, alternative work hours, compressed work schedules, and part-time work. About 65 percent of Freddie Mac’s employees use the program.⁷

The *benefit* Freddie Mac gains from this initiative, *not* the ROI, is that the company has experienced a significant reduction in voluntary turnover, arguably a positive benefit of the arrangement. However, the valid metric that can be used in a ROI assessment starts with the reduction in direct recruiting costs that proceeds from reduced turnover. The ROI can also include such costs as overtime pay for

remaining employees, hiring of temporary staff, hiring bonuses for new hires, recruitment advertising, search agency fees, and background checks.

A November 2012 report in *American Progress* reviewed 30 case studies on the direct and indirect costs of employee turnover from 1992 to 2007. The key finding was that companies spend about one-fifth of an employee's annual salary to replace a worker. The 20 percent replacement cost held steady for employees earning less than \$30,000 a year up to \$75,000. Once the annual salary exceeded \$75,000 or the employee had specialized skills, the turnover costs rose to about 30 percent.⁸ These direct costs are valid metrics that can be used in determining the ROI for a diversity initiative that addresses employee turnover.

Diversity professionals do not need a formal background in corporate finance to be a strategic contributor to the business. But they do need to have a solid understanding of how the financial side of the business works, the budgeting and financial reporting process, and to speak the language of finance, even if spoken with a D&I accent.

Business and financial acumen is also essential when advocating for yearly D&I budgets. No organization has unlimited resources to direct to any and all worthwhile company initiatives. Every yearly budgeting cycle is an exercise of *making choices* among competing needs, priorities, and marketplace bets. Granholm explains that only about a third of project requests receive corporate funding and approval.⁹ So the generic odds are already stacked against anyone making a budget pitch. And D&I practitioners face even a steeper gradient due to D&I's often outsider status.

So how can diversity professionals use their business and financial acumen to advocate for both diversity and the organization? Consider three basic ways:

1. As a business driver
2. As a strategic partner
3. As a trusted advisor

As a Business Driver

D&I professionals who are well steeped in the finances of their companies have a sound understanding of the economic and market forces that influence bottom-line and top-line results. When creating budgets or business plans that require the financial support of the organization or its business units, financially savvy professionals ground these documents with credible fiscal assumptions, reasonable forecasts, and robust financial models. Accomplishing this requires multiple abilities

that can range from understanding your organization's budget process to forming alliances with the company's financial team for help with the technical aspects of budgeting and modeling to making sound strategic decisions that identify resources that can support D&I initiatives.

Kodak, at the start of this chapter, misread some basic financial realities of their business, namely the impact of technology's evolution on the photography business. Conversely, the Clorox Company, a leader in consumer products, faced a similar challenge — and its way out of it was through diversity.

As described in a 2011 *Deloitte Review* article, one of Clorox's products, Kingsford charcoal, was experiencing declining sales, which was a shift from its former glory days when it generated about 10 percent of Clorox's overall revenues. Kingsford was becoming a dying brand as the sales and popularity of gas grills increased. Instead of accepting the certain fate in the face of technological advances, Clorox listened to its Latino employees who had pointed out the revenue opportunity in targeting to Latino consumers. Leveraging the diversity of its marketing and sales team, Clorox focused on connecting Latino families to Kingsford charcoal products. The result transformed the Kingsford brand from a dying business line to one that regularly experiences up to 6 percent growth annually.

In the article, Clorox Company Chairman and CEO Don Knauss said, "The business case has been demonstrated quite thoroughly. When you've got over one-third of this country as people of color, a diverse workforce benefits in terms of connection and creativity. ... Regardless of the group, it is hard to form a brand relationship unless you have people that come from those cultures and ethnicities that can connect."¹⁰

As a Strategic Partner

According to Granholm, diversity practitioners need to be able to discuss quantifiably how diversity and inclusion complements and supports business objectives. We can provide credible fact-based insights on how reducing turnover cuts operating costs by positively affecting recruitment and training costs. Or we can show how a diverse marketing team, for instance, can tap into new consumer groups broadening revenue opportunities or developing new products.¹¹

The Financial Impact of ERGs

PepsiCo's Frito-Lay division is well known for involving its employee resource group in new product development. What many in the D&I field know is how Adelante, the Latino ERG at Frito-Lay, approached top executives with the idea

of guacamole-flavored chips and gave input throughout including how the chips lacked the distinct lime flavor that was important for guacamole-flavored chips.¹² The chips, introduced in the Lay's and Doritos brands, were an incredible hit, generating more than \$100 million in sales in the first year.¹³

What is less known is how this one success spawned others. Buoyed by the Adelante success, Frito-Lay then partnered with its Pan-Asian Network to create a Cheetos-like snack to be marketed in India. The result, called *Kurkure*, which is Hindi for "crunchy," is a lentil-and-rice-based snack and comes in flavors like such as Green Chutney and Chilli Chatka. The snack is now available in the U.S.¹⁴ Examples like these illustrate the value and benefits of Frito-Lay's diversity initiatives in supporting strategic business goals.

Turning our sights beyond dollars in or dollars out, D&I practitioners can use evidence-based research showing, for example, the different ways that specific racial and ethnic groups take advantage of healthcare and retirement benefits, which affects not only the amount of dollars directed to employee benefits, but also how to strategically use those resources to benefit employees beyond their work day.

Employees from various racial and ethnic groups use healthcare/insurance benefits differently. Compared to whites, Blacks and Latinos under-participate in preventive health care, while Asians tend to over participate, with Asians even over-insuring themselves and thus paying more for healthcare coverage than they actually need. Black and Latinos tend not to avail themselves at the same rates as whites and Asians of preventive healthcare services, such as medical screenings or regular doctor's visits, even when it is available to them at little or no cost. These patterns not only lead to greater health or cost risk for the members of these groups, but can lead to greater healthcare costs for employers.¹⁵

The Financial Impact of Healthcare Disparities

The reasons for these disparities have many root causes, from differences in how each group perceives the care received from medical professionals to differing cultural worldviews about the efficacy of prevention to the delivery of healthcare messages. Companies have good reason to get a handle on how the diversity of their workforce affects their healthcare expenditures.

It is well recognized that company healthcare costs have steadily risen for years. A 2013 study by consulting firm Towers Watson reports that employers expect healthcare costs for employees to increase about five percent.¹⁶ Furthermore, the poor health status of many workers costs the U.S. economy an estimated \$153 billion in lost productivity. This is why companies are getting more involved in

the health and well-being of their employees. Employees of color are carrying a disproportionately greater burden of having to show up to work with more health problems, more aches and pains, and greater depression. This situation not only affects their work performance, but also their engagement, stamina and, indirectly, advancement opportunities.

Companies that look at the diversity of their workforce as they create wellness initiatives can increase the effectiveness of the programs, positively affect the health of employees, and possibly affect their health insurance costs. For instance, Healthcare Services Corporation, commonly known as the operator of Blue Cross Blue Shield of Illinois, Texas, Oklahoma, and New Mexico embarked on a weight-loss campaign for employees. By leveraging the diversity of their employees through providing insights about the types of messages and incentives that resonate with specific employee groups, the company's employees collectively lost 53,000 pounds in 2011.¹⁷ The direct dollar impact of that effort may be difficult to determine, but it is clear that weight loss has a positive impact on the overall health of the participating employees.

The Financial Impact of the D&I Budget

Let us bring the financial acumen discussion to the level of the diversity budget. During a hypothetical budget cycle, for instance, a manager may have to decide how much fiscal support to provide to the company's employee resource groups (ERGs). Should that manager increase the dollars allocated to the current list of ERGs? What about starting one or two new domestic ERGs? And there is the added consideration of expanding ERGs globally to the organization's operations in another country, where the drive for diversity is in its infancy. What is the right and reasonable choice? The appropriate answer differs for every company, because the decision should be based on strategic business objectives, the proposal's financial forecasts, and an analysis of potential risks.

D&I professionals who are grounded in the financial discourse of their companies will be able to develop a business plan that takes into consideration those very factors.

As Trusted Advisor

This is the coveted role for D&I professionals. When you are the organizational expert on culture, leadership, and talent and their evidence-based impact on the company's strategy, its customers, its competitors, and its market, then you become a trusted advisor on the organization's success. You want your company leaders to seek and trust your advice on more than diversity issues, but on business direction, strategy, risk, vulnerabilities, opportunities, and mitigating threats. You already recognize the

importance of culture, leadership, and talent, but now you must speak about those topics in financial and business language to get your voice and counsel heard.

While a company's legal team or outside legal counsel can be counted as trusted advisors, even a legal firm can leverage the advice and counsel from its diversity team when it comes to business. A 2013 American Bar Association conference paper provided insights on how law firms are addressing diversity and inclusion: "Managing partners and firm leaders are changing the way they manage diversity in their firms. It is not just about the numbers." It is also about what their clients want.

Several major corporations have insisted that their outside counsel demonstrate a commitment to diversity, and they were willing to use either a carrot or a stick to get their point across. For instance, in 2008 Microsoft launched its Law Firm Diversity program that offers bonuses to outside legal firms for specific diversity achievements. Similarly, Walmart pushed their top outside legal firms to embed diversity in their dealings with the corporation, but used the stick approach. In a 2005 letter to its top external legal firms, Walmart mandated that "at least one person of color and one woman must be among the top five relationship attorneys that handled its business, or Walmart would move its business to another firm."¹⁸

Such client push for diversity has Richard Cohen, managing partner of Goldberg Segalla LLP, a law firm with 11 offices across four states and in London, looking at how his firm addresses its own diversity efforts. One way is to involve lawyers of color, other senior attorneys and its Diversity Task Force in recruitment and development efforts. Selected attorneys, along with the task force members, serve on the management committees that deal with evaluations, compensation, and attorney development.^{19 20} While this is related to the normal diversity responsibility of talent development and recruitment, it also serves as a trusted advisor in business development and meeting client needs.

Developing Your Financial and Business Acumen Depending on Your Career Stage

Early-Career Diversity Professionals

Building financial acumen can start early in a diversity professional's career when one is assigned to help with the diversity function's budget. You may be charged with acquiring bids, reviewing estimates, preparing reports for a variety of elements that may be included in the department's annual budget. What does your particular company's budget cycle look like? Is the budget historically based or zero-based? Perhaps it is a performance-based budget:

- *Historically based budgets* look at past financial performance and then modify and project those findings to future budgets. If inflation is low, for instance, several years' worth of cost trends are projected forward with adjustments for inflation and anticipated sales growth or shortfalls.
- *Zero based budgets* create new budgets without any historical references. Zero-based budgeting requires documenting and justifying every income and expense as if starting from scratch.
- *Performance based budgets* use fixed allocations with activities and expenses applied against the formally set amount of dollars. Performance budgets are primarily used in government planning, but can be used in the corporate setting when, for instance, an advertising budget is set as a percentage of projected sales.²¹

Developing the business acumen competency is closely connected to learning and getting a thorough understanding of the company's business and the industry. You may already be doing many of the necessary actions to strengthen this business acumen muscle, things like developing project management capabilities with an ear toward how this affects the overall company and the industry, and forming relationships both inside the company and externally. This may mean leaving the protective silo of HR or the diversity function and knowing where to gather information, obtain financial data, and secure trusted insights from those whose priorities are focused on operations, marketing, IT, or customer service – even if it means reaching out to others outside company walls.

Savvy early-career professionals can volunteer for projects that include a cross-section of employees from various business functions to develop such relationships. For instance, joining a company's employee resource group (ERG), particularly an ERG that does not represent your particular diversity dimension, enables you to meet other colleagues from different departments and work groups. Taking a leadership role in the ERG can further develop your project management skills and expand your circle of influence outside the HR or diversity function walls. Attending diversity conferences can also broaden the diversity practitioner's relationships outside of the company. Consider conferences such as a Diversity Best Practices Member Conferences or ones hosted by the Society for Human Resource Management or the Conference Board.

The flip side of focusing on developing business intelligence is possessing the D&I acumen that can be integrated *into* business indicators. This is the area where the diversity professional can help the organization take a high-level view of its diversity initiatives and how they impact the company. Here, early-career practitioners can

see how the research gathered on best practices and the management reports from business units and various functions come together to illuminate the connections between diversity, the strategic goals of the company and the strategic direction of diversity initiatives, as well as the outcomes.

Participating in a company's employee engagement research, for instance, presents such an opportunity. An early-career professional who takes part in the engagement survey process and evaluating and communicating its results, can get an up close and thorough understanding of the impact a specific diversity initiative has on a company's business units and functions as well as on strategic business directions.

Mid-level Diversity Practitioners

Mid-level D&I managers have different tasks and responsibilities than their early-career colleagues. For instance, the mid-level D&I practitioner needs to make business and financial decisions such as how will you select the specific training program to address unconscious bias in recruitment and promotions? Will you accept the proposal from an outside consultant? How about purchasing online tutorials and seminars? You can always send staff offsite to workshops and classes. What is the financial investment for each choice, what is the expected return, and how long will it take for the anticipated return to come to fruition? Before any credible decisions can be made, these and a host of other questions must be addressed, along with an analysis of how the issue of unconscious bias affects the company's business strategy, the top line and bottom line elements, and what threats or risks does unconscious bias pose for the organization.

For mid-career diversity practitioners, honing your business acumen means strengthening your presentation and communication skills to better explain the company's diversity message with consistency and authority. This competency requires you to recognize and navigate challenging situations and negotiate win-win results.

Consider, for example, what happens when economic forces require a company to cut or eliminate its financial support to an external partner that complemented the company's diversity initiatives. Add a layer of race, ethnicity, or any diversity dimension to the issue and you have all the makings of a challenging situation that will require strong business skills to resolve. How does the mid-career manager communicate the company's continued support and belief in inclusion, when their actions could be interpreted otherwise? What is the win-win in that specific situation? Whatever response the company develops, it is critical that the diversity manager persuasively and authoritatively communicate the company's rationale for and continued support of diversity and inclusion.

That scenario was not an uncommon occurrence during the stringent belt tightening that companies had to do during the recent Global Great Recession. Maintaining relationships while cutting financial support with their diversity partners proved to be a challenge for many companies and their diversity professionals. Creativity can transform challenges into opportunities, especially when, in these instances, the relationships are valued. Some companies offered other resources, such as providing in-kind services to their partners. In-kind services could range from taking care of the partner's printing needs to making available company facilities for meeting or other events while other companies encouraged their employees to broaden or increase their volunteer efforts.

Mid-career professionals are charged with keeping those higher in the hierarchy informed about industry and marketplace trends from the regulatory, environmental, technological, competitive, and innovative standpoint. This is the person responsible for diversity scorecards and analyzing information across disciplines and business units. Perhaps the most challenging for mid-career professionals is embedding D&I principles and processes into the organization's culture, processes, and procedures, from product development, marketing, and customer service to IT, benefits administration, and other HR disciplines.

A scorecard that enables mid-career professionals to assess one aspect of their diversity efforts is the 4C ERG Assessment Model™. Developed by Robert Rodriguez, Ph.D., this tool is used by more than 200 leading corporations with over 400 ERGs. The Model measures how four key elements impact ERG effectiveness, and is how the scorecard obtained its name: culture, commerce, career, and community.

Dr. Rodriguez provides an example of how this diversity scorecard enabled one company to analyze ERG initiatives across several areas. A financial services organization with retail bank locations wanted to better align its ERGs with its business strategy. By using the 4C model, the bank's diversity leadership determined that, indeed, their ERGs were making a tremendous impact on their commerce initiatives and even achieved the highest level in their ability to provide helpful consumer insight to the organization.

However, the ERGs exhibited much lower results in other areas, namely career development for members and community relations efforts. With the new insights provided by the model's scorecard, the financial institution quickly initiated broader, more comprehensive career development and community outreach initiatives for their ERGs. Executive sponsors were engaged to help drive greater impact in the career and community areas but without jeopardizing commerce success. The

ERGs also partnered with the learning and development department to re-engineer their professional development programs. After 18 months, the firm conducted the assessment again. The new scores reflected improvement in helping members with their careers and their community outreach efforts. The best news was the commerce scores remained as high as before.

Using the 4C ERG Assessment Model™ provides clear and valid measurement of an ERG's contribution to a company's business strategy – from impact on the company's strategic direction to contributions to employee advancement. The 4C model can help gather credible, evidence-based metrics necessary to support assessment of diversity's impact across functions and lines of business.

Senior Level Diversity Professional

At the senior leadership level, the C-suite executive has to merge all the information that rises up from the diversity function and identify as many financial and other company resources that will enable the company to leverage diversity on behalf of the organization. This leader must also develop and demonstrate thought leadership around D&I domestically and globally while serving as a trusted advisor to the CEO and Board of Directors with keen insights into legal issues, reputation, and regulatory risks that are tied to D&I, talent management, and shareholder value. At its most basic, it is the responsibility of the senior level diversity professional to leverage an eagle eye view on the internal and external conditions affecting the organization's D&I reputation and to develop the reputation as a trusted advisor and business partner who understands the company's business and its industry.

Spreadsheets, bid requests and reviews, revenue generation, expense reduction, and fact-based decision making represents just a snapshot of the financial side of this competency. The business and operational acumen can expand the role of diversity professionals from focusing on internal indicators to getting involved with external partners and recognizing changes in the competitive environment.

Jim Norman, who until early in 2013 was vice president of diversity and community involvement for Kraft Foods, recognizes the challenges and opportunities needed to embed diversity and inclusion into all aspects of an organization, while leveraging the necessary financial, business, and diversity acumen to support the company's strategic direction. The development of Kraft's diversity curriculum, Efficacy, presents an example. Starting nine years ago as a pilot initiative, the curriculum was implemented by Norman to address a serious business problem: managers and professionals of color had a much higher turnover rate than other employees.

“We were hiring diverse employees, but were losing women and people of color at a much higher rate than the general workforce,” he explained. Upon deeper analysis, Norman found that the managers and professionals of color were leaving after working at Kraft for five to seven years, after they had reached the associate director level or higher and had developed mission critical skills. This situation exacerbated the turnover challenge. Not only was this turnover a financial issue for the HR department with the direct and indirect costs of replacing highly-skilled mid-level managers, but it was an organizational challenge by depleting the talent pipeline with diverse experienced individuals. Addressing this turnover represented the crux of what Norman called, “the growing integration of diversity into business and HR practices.”

With no money in the budget to address the situation, Norman went to the then vice president of HR and said, “You’ve got a problem and I have a solution.” This started the pilot course, called Efficacy for People of Color. Since then, the course has been renamed to reflect various diversity dimensions and now is part of the corporation's diversity curriculum and is available to women, white males and all managers. The Efficacy initiative is a comprehensive curriculum that encourages participants to set career goals, address shortcomings, take risks, understand the Kraft culture, and build mentor networks. Kraft's Efficacy curriculum is an example of identifying and analyzing a problem by reviewing the numbers – in this case, it was turnover.

The program illustrates the importance of the senior diversity leader in identifying the financial and business resources that can accelerate the D&I process across the company. With no money, Norman had to reach out to the business units to secure funding for the pilot. He went to those units that had the highest turnover and invited them to become partners in the pilot. With their partnership came financial and managerial support. One of the ways Norman garnered this support, was to show with credible metrics how turnover of people of color, for instance, impacted a manufacturing facility's ability to meet its operational goals. Once the connection was made between turnover and operational goals, the head of that facility became a committed supporter of the program.

Norman leveraged his reputation as a thought leader and trusted advisor, along with a thorough analysis of the turnover metrics, to obtain a champion for the Efficacy curriculum. Leaving little to chance, Norman also promoted the program's champion and partners as he marketed the program through the company. Marketing the program included inviting the managers of the participants to special meetings about the course's content, purpose and expected results; holding “lunch and learn” sessions for anyone interested in the program; and using internal

communication tools to highlight the support of the champion and the partners. Marketing the program proved to be such a success that other business unit leaders clamored for their employees to participate.

In the years that followed, funding for the Efficacy initiative was secure. And Norman continued to analyze, assess, and evaluate the program's metrics. At the start of the pilot, the turnover rate for managers and professional of color was about 5 percent higher than for the overall workforce. Kraft's current turnover rate for targeted populations has fallen to 2 percent higher than the workforce.²² The combination of Norman's financial, business, and D&I acumen has helped propel Kraft to be a leader in its industry and a leader in diversity.

Derailers

The stumbling blocks to acquiring business and financial acumen are many of the same issues related to poor performance for any professional – poor communication skills, inconsistent work progress, ineffective leadership, and an inability to tie D&I to talent management, and the metrics of business and employee performance. Whether at the early-career, mid-level, or senior-level stage, diversity professionals must be able to understand how financial and business processes and diversity and inclusion process work in concert on behalf of the organization.

Early in your career, unorganized and inaccurate financial records illustrate that you do not understand the importance of this competency. Unclear, vague, and unapproved communications with your company's external diversity partners about financial commitments will derail your efforts to become more adept in this area.

For mid-career professionals, it is mission critical for you to get a firm grip on the essence of your organization, its business and mission objectives, strategies, and countervailing forces affecting its financial reputation. Your upward mobility as a diversity professional will be stymied without this understanding.

And senior diversity leaders who do not possess a deep and thorough understanding of their company's business, its industry, and how profits are generated undermine the value that diversity can bring to an organization, because such senior leaders are not able to make the sound financial case, in language that financial leaders understand. It also means that such diversity leaders probably do not have a relationship with the CFO or others in the finance area and possibly cannot adequately explain the link between D&I and financial matters.

While possessing the competency of financial and business acumen is a skill that can be acquired by early-career and mid-level diversity professionals, it is an absolute necessity that senior-level diversity leaders possess this competency. Without it your impact as a D&I leader is in jeopardy.

Conclusion

As you have seen, it is crucial you become well-grounded in the financial leaders' worldview so that you can present budgets and investment plans in ways that speak to the CFO mind and enable you to counter the inevitable push back. Your company's financial leaders are not the "bad guys," they simply look at all funding requests as a strict financial exercise that analyzes whether a specific request brings measurable value.

Developing your financial and business acumen will enable you to show in compelling ways how diversity and inclusion helps the company grow the top line of greater revenues and manage the bottom line through cost management. In today's environment of extreme cost management and hyper-competitiveness, diversity initiatives can only survive when they are hardwired into company growth and profit. And the D&I practitioner is sitting on a gold mine of marketplace and business insight when seen through the lens of demographics.

Develop and refine your business and financial acumen and watch it become an effective channel through which to drive true culture change.

Conversation Starters

Where have you incorrectly applied financial terms, such as return on investment (ROI) or return on equity (ROE), to a diversity and inclusion initiative?

What would represent a better or more accurate way to describe the initiative's benefits or value?

How does your organization measure the effectiveness of its D&I efforts, such as employee resource groups or diversity councils?

How is the organization's D&I effectiveness linked to business goals and objectives?

What are the top three external challenges facing your business?

How does D&I intersect with those external challenges?

How can your organization leverage its D&I efforts to address those external challenges?

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