Diversity & Inclusion Budgets
Diversity and inclusion structures and resource allocations are as varied as the myriad of corporations and institutions they are meant to support. Organizations reassess the reporting structure, allocation of resources and scope of influence of the CDO and the diversity office across the organization periodically for effectiveness and efficiency.

In order to support numerous functions company wide and aid the organization in revenue generation, the diversity and inclusion office must first have a budget large enough to allow it to perform its functions fully and at top quality. At some companies, diversity and inclusion is housed under Human Resources. At others, the diversity and inclusion function has its own office and a Chief Diversity Officer who reports directly to the CEO.

Given these variables, budgets for D&I vary widely across industries and regions and also depend on the responsibilities that fall within the function at large or shared in other business units and roles. Most importantly, companies must assess D&I responsibilities and desired outcomes for their own unique organization and determine appropriate budget and staffing needs from there.

This report provides information on D&I budgets and a range of tips and strategies related to establishing effective D&I teams and councils.
Findings from 2019 DBP Inclusion Index

Status of D&I Budgets in the Past 12 Months

DBP Index Companies

- Increased: 55.0%
- Decreased: 6.3%
- Unchanged: 38.8%

Source: 2020 Working Mother DBP Inclusion Index
Company Culture: 
Diversity & Inclusion Budget Allocation

Percentage of the Total D&I Budget Allocated to the Following DBP Index Companies

- ERGs: 25.1%
- External partnerships: 24.2%
- Recruitment and employment branding: 14.2%
- Learning and development: 20.3%
- Programming: 15.3%
- Other: 9.4%

Base: Total D&I budget
Source: 2020 Working Mother DBP Inclusion Index
Company Culture: Philanthropic Giving

Percentage of the Total Spend on D&I Organizations Representing the Following Constituencies

DBP Index Companies

<table>
<thead>
<tr>
<th>Constituency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Women</td>
<td>31.4%</td>
</tr>
<tr>
<td>Blacks</td>
<td>18.1%</td>
</tr>
<tr>
<td>Latinx</td>
<td>11.9%</td>
</tr>
<tr>
<td>Asians</td>
<td>6.1%</td>
</tr>
<tr>
<td>LGBTQ</td>
<td>9.7%</td>
</tr>
<tr>
<td>Veterans</td>
<td>8.3%</td>
</tr>
<tr>
<td>Other</td>
<td>21.6%</td>
</tr>
</tbody>
</table>

Base: Companies that make contributions to D&I organizations

Source: 2020 Working Mother DBP Inclusion Index
Your company did not provide data for women.
A study by the Society of Human Resource Management (SHRM) reported diversity-department budgets at Fortune 1000 companies average around $1.5 million per year. The range for diversity department budgets was $30,000 to $5.1 million. When diversity was housed in Human Resources, the average annual diversity budget was $239,000.

Some of these budgets may include multicultural marketing and advertising; however, many companies report those expenditures under marketing or sales while advertising funds for D&I are typically reported with the advertising budgets. The philanthropy and community relations budgets are reported under separate areas, but again, comprise a key component in the best companies. Diversity and inclusion education, training, and e-learning are generally the largest upfront costs. At times they are allocated to diversity and inclusion, but more often they are allocated to the overall HR training budget since training and development can be investments that are tied to so many areas and at so many levels.

Workforce Management estimates that companies spend a combined $8 billion on diversity and inclusion training annually, while Human Resource Management Journal reports that diversity and inclusion consultants earn a combined $400 million to $600 million annually in consulting fees alone.

Source: DBP Diversity Primer
Catalyst reports that 82 percent of its member companies have a specific budget for diversity programs and activities. These budgets range broadly from $10,000 to $216 million, with a median budget of $1.2 million. Almost half of the respondents reported allocating the greatest percentage of their overall diversity budget to diversity and inclusion training programs and general administrative costs.

Directing diversity funds for outreach and/or recruiting (45 percent) was also a large portion of the budget. Thirty-nine percent of respondents reported that more than 25 percent of their diversity budget went towards general administrative costs and 25 percent of respondents reported that diversity marketing accounts for more than 25 percent of their budget. Work/life programs and supplier diversity received the lowest levels of budget allocation, with nearly one-half (47 percent) allocating less than 10 percent to each. As is expected, industry type was a large factor in the varying allocations.

Definitions of what is a direct-cost allocation to the diversity budget versus indirect or allocated to another unit in the company, staff or business unit varies. Note that the functional areas of diversity and inclusion are often tied in many ways to company budgeting systems.

Source: DBP Diversity Primer
Examples from a DBP Benchmark Study

<table>
<thead>
<tr>
<th>Organization 1: Finance</th>
<th>Organization 5: Finance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue: $22B</td>
<td>Revenue: $9b</td>
</tr>
<tr>
<td>Employees: 24,000</td>
<td>Employees: 8,000</td>
</tr>
<tr>
<td>D&amp;I Budget: $1.4mm ($53/employee)</td>
<td>D&amp;I Budget: $400,000 ($50/employee)</td>
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</tbody>
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<table>
<thead>
<tr>
<th>Organization 2: Finance</th>
<th>Organization 6: Finance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue: $3.8b</td>
<td>Revenue: $22b</td>
</tr>
<tr>
<td>Employees: 14,500</td>
<td>Employees: 26,000</td>
</tr>
<tr>
<td>D&amp;I Budget: $850,000 ($59/employee)</td>
<td>D&amp;I Budget: $950,000 ($36/employee)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Organization 3: Finance</th>
<th>Organization 7: Healthcare</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue: Unreported</td>
<td>Revenue: $100b</td>
</tr>
<tr>
<td>Employees: 40,000</td>
<td>Employees: 36,000</td>
</tr>
<tr>
<td>D&amp;I Budget: $500,000 ($12.5 per employee)</td>
<td>D&amp;I Budget: $3mm ($83/employee)</td>
</tr>
</tbody>
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<thead>
<tr>
<th>Organization 4: Finance</th>
<th>Organization 8: Insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue: $10b</td>
<td>Revenue: $23b</td>
</tr>
<tr>
<td>Employees: 3,200</td>
<td>Employees: 16,000</td>
</tr>
<tr>
<td>D&amp;I Budget: $800,000 ($250/employee)</td>
<td>D&amp;I Budget: $1mm ($62.5/employee)</td>
</tr>
</tbody>
</table>
• Today, **90% of Fortune 500 companies** have ERGs and about **8.5% of employees** in US-based companies belong to ERGs (this number drops to 4.3% in organizations headquartered outside the US).

• Companies typically allocate, on average, **1.4 full-time employees** to manage an ERG. There isn’t really a typical amount of budget that companies spend on ERGs - it can be anywhere from $150 to $37,000 per 100 members.

• The average annual budget is $7,203 per 100 members, with multiple sources of funding including D&I offices and HR.

• The takeaway here is that there isn’t necessarily a right “formula” for structuring ERGs - it really takes a deeper understanding of one’s own capabilities, objectives, and vision, as well as some trial and error, to get it right.

Source: *FivetoNine*
Budget

Financial resources are crucial to the launch and management of the D&I strategy. You will need to sit down with your C-level executives to discuss funding the strategy. Additionally, it’s important to realize that while all D&I initiatives require time, some D&I actions plans are free (for example, sending out an employee survey for feedback).

There is no universal structure for determining a budget for your D&I strategy: each strategy is custom-designed to fit your company’s needs. However, before meeting with your fellow founders (for small companies), or your CFO (for mid- to large-sized companies) to determine a budget, prepare a realistic budget that takes into consideration the following:

Goals
- 3 to 5 objectives you hope to achieve during the period for which you are budgeting

Action plan(s)
- How you achieve these goals, what resources (people, tech tools) you’ll need

Term
- Is the budget for a year? Or is it for 36 months?

By preparing a plan for your budget in advance, your CFO or fellow founders will be able to forecast costs and approve a final budget more quickly.
Many company D&I programs are focused on gender equity.

Is the business case for women clearly articulated so that the entire organization buys into it? Does your gender diversity plan have scorecards, measures and metrics and do you present this plan annually to senior leadership? What are senior leaders doing to drive this plan throughout the middle manager ranks?

At a minimum, your plan must link to revenue (women as buyers and women as customers), operating profit (the recruitment, retention and engagement of women in the organization) and company reputation.

If your company is launching a new brand or making a major acquisition, they wouldn’t ask for 20 volunteers and give them a miniscule budget.

Yet this is exactly what many organizations do with women’s ERGs. Most women’s ERGs have a strategy to recruit, retain and advance women, but are given no real money — and most volunteers never get credit for the work they do. If advancing women is truly a business imperative, how many people are involved with the initiative and how much money is being spent on it?

**Consider as a best practice what one Fortune 500 company is investing: a budget of $500 per ERG member per year. This company’s women’s ERG has 3,000 members, representing a commitment of $1.5 million. That is real resources and real commitment.**

Source: [NetworkforExecutiveWomen](https://www.networkforexecutivewomen.org/)
Example: Building Your Budget

1. Set Goals/Priorities

<table>
<thead>
<tr>
<th>COMMERCE</th>
<th>CULTURE</th>
<th>CAREER</th>
</tr>
</thead>
</table>
| Grow Market share  
Each ERG will be tasked with establishing one business goal that will assist in growing company ABC sales. E.g. Hispanic ERG increased Hispanic sales 200 percent across all market area; e.g. company attributed 7 percent of market growth because of innovation as a result of diversity efforts | Hire and Retain the Best Talent  
All leaders and managers will participate in Unconscious Bias training to mitigate bias in people and HR processes and to ensure all employees’ experiences are maximized. Unconscious bias training increases retention, improves diverse promotion rates and lowers turnover costs. | Hire and Retain the Best Talent  
Establish a diverse talent pipeline development program to provide top diverse talent with visibility, sponsorship and on-the-job business experiences to fast track promotability. Current promotability rates of African Americans and Latinos lag Whites by 35 percent and 29 percent, respectively |

2. Assign budget dollars to each priority also taking into account, prior results, number of employees, ROI of each priority

<table>
<thead>
<tr>
<th>COMMERCE</th>
<th>CULTURE</th>
<th>CAREER</th>
</tr>
</thead>
<tbody>
<tr>
<td>$10,000 for each ERG (funding for client and cultural events for branding, promo materials, advertising)</td>
<td>$50,000 for Unconscious Bias training for Performance Management</td>
<td>$75,000 for development of diverse sponsorship program. 25 participants ($3,000 each for executive coach)</td>
</tr>
</tbody>
</table>

3. Establish metrics (where you want to go and how you want to get there) to ensure you are tracking impact and ROI.

<table>
<thead>
<tr>
<th>COMMERCE</th>
<th>CULTURE</th>
<th>CAREER</th>
</tr>
</thead>
</table>
| $10,000 for each ERG:  
Number of promotional materials distributed at LGBTQ Pride event  
Number of increased sales or calls as a result of promo materials | Number of participants  
Audit performance management ratings  
Increased employee satisfaction on employee surveys regarding performance management | Number of participants, number of sponsors  
Promotion or mobility rates of participants  
Performance review improvements |

Source: DBP Playbook
In 2003, MIT professor Thomas Kochan noted that companies were spending an estimated $8 billion a year on diversity efforts. Since then the amount of corporate revenue being funneled into such initiatives has skyrocketed.

D&I has become a booming business. But where are the results?

For example, although Google reportedly spent $114 million on its diversity program in 2014, its diversity report in 2019 showed that blacks made up just 3.3% of the workforce and held 2.1% of tech and 2.6% of leadership roles.
More than half of diversity professionals do not have the resources or support needed to execute programs and strategies.

Only 35% had access to company demographic metrics, and a survey of 1,800-plus company executives found that diversity ranked last on a list of eight potential business priorities.

Check out this Russell Reynolds Report *A Leader’s Guide: Finding and Keeping Your Next Chief Diversity Officer* to understand more about what is holding D&I back.

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**FOR THE CHIEF DIVERSITY OFFICER**

**Resource**
Adequately resource the chief diversity officer based on their skills and remit. E.g., do they have a people analytics resource? Do they need a compliance/employment law resource?

**Position**
Ensure that the chief diversity officer has regular exposure to the highest levels of the organization and there is a structure in place to support this, for instance sitting on the D&I council, having quarterly reports to the CEO or board, etc. More importantly, ensure they feel empowered to drive change.

**Educate**
Arm your chief diversity officer with a deep understanding of your business and the types of challenges that you face. They will need this to build credibility and high trust relationships with business leaders.

**Define/Measure**
Define and align on what long-term success looks like; improved metrics, better engagement survey results, stronger employer brand, etc. Ensure the chief diversity officer is genuinely empowered to affect change in those areas.
Structure and Resourcing: CDOs Have Many Responsibilities, yet more than half are not resourced to fulfill them.

The CDO is an exceptionally multi-faceted role, with responsibilities ranging from organizational development to strategy-setting to legal concerns depending on the organization. We find that about half have additional roles unrelated to D&I which may hamper their ability to maximize results.

Historically, organizations may have selected influential business leaders to champion internal D&I strategy on top of their existing responsibilities. Over time, however, it has become clear that D&I warrants its own resourcing, expertise and full-time leadership.

Source: Russell Reynolds 2019 Report
D&I Not a Business Priority

Most business leaders will voice support for D&I initiatives – but their actions do not always follow. Among all leaders surveyed, D&I came in last on a list of eight potential business priorities. At the same time, CDOs believe that business strategy is one of the weakest drivers of D&I strategy. If executing D&I strategy does not also contribute to business goals, CDOs understandably face an uphill battle in convincing business leaders to fully engage.

Source: Russell Reynolds 2019 Report
Plan your yearly budget

- There’s no way around it— you’ll need financial help to succeed. Your budget can include snacks/refreshments for meetings or events, trainings, attending outside events, paying guest speakers, bringing in external experts to run workshops, and swag (for events or for members).

- We’ve found from the clients we’ve worked with, on average, ERG groups have a yearly budget ranging from $10K - $50K per year for small to medium sized businesses. We have worked with Fortune 500 companies as well whose budgets can get up to 6-7 figures, depending on the number of people in the organization.

Source: PepTalkHer
Supporting Your ERGs

Start with executive sponsorship. Have senior executives lead and participate in the planning of the ERG in order to more effectively recruit members and ensure longevity into new generations. Also think beyond executive support to stakeholder support, ensuring a broad array of people in the company buy into the vision.

Define the value proposition and performance metrics. From the get-go, it’s important to structure ERGs for success with internal goals such as increasing diverse leadership and external goals like promoting the company in diverse markets. These goals help not only in allocating resources to necessary objectives, but also moving the ERGs to becoming capable of impacting business in a tangible way.

Become thought leaders. Listen to members of ERGs in order to fuel business intelligence, innovation, and growth.

Promote cross-collaboration. Ensure that all of the ERGs collaborate across the organization and do not stay within silos. This will facilitate best practice sharing and help strengthen the evolution of ERGs.

Encourage D&I champions. Recognize that ERGs and senior leaders are not the only ones responsible for promoting D&I—advocates have to be spread throughout the organization in order to integrate initiatives. Not only will champions be an essential part in the direction of the ERG, but they are vital in carrying out the extensive operations that go into coordinating events, workshops, and more.

Invest in resources. To help ensure that ERGs are prepared to partner effectively for achieving business goals, resources must be allocated to grow the skill-sets, competencies, and networks of these groups.

Incentivize participation. Make sure that strong ERG performers are regularly included in talent reviews, as well as intentionally developed. One option is to explore including “diversity and inclusion” competencies in performance review criteria. This type of corporate citizenship metric would encourage further participation and engagement within ERGs to advance business objectives and reward employees.

Source: FivetoNine
Look for funding beyond the ERG budget:

- Source funds from multiple departments/business units
- Partner with other business groups to hold activities or functions so that the cost associated is split across all groups involved
- Apply for grants from the company’s charitable foundation, if available
- Approach ERG executive sponsor(s) for funding assistance

Best Practices for requesting budget from other teams, departments, or executive sponsors:

- Make a business case justifying the request and proving explanation of the value of the investment.
  - Include the value for individuals (i.e. professional development or direct correlation to personal passion), Employee Resource Groups (i.e. support of key strategic pillars or Diversity and Inclusion goals) and to the business overall (i.e. employer brand, recruiting or retention efforts, alignment to/support of organizational goals or values).
- Itemize and give options
  - Provide details the cost breakdown and where the funds will go (it might help to show where you already have funding and what it is supporting!).
  - Highlight key portions of the budget request that need priority funding and provide short explanation.

Secure manager-level assistance

- Seek out support from management to make the request (provide business case above!).
- Strategize with management about what departments or groups you should solicit budget from.
  - Then, ask for their assistance in making the request as their support & assistance may give your request more weight or they may have a relationship with a key stakeholder that would help secure the budget.

Source: OutandEqual
ERG Collaboration Strategies

Share resources and best practices

- Share documents, best practices, handouts, posters, flyers, event proposals, workshop outlines, presentations, successful engagement activities, etc. across all regions.
  - Utilize a document sharing tool like SharePoint, Google Drive, Box, or Dropbox for version control and easy access.
  - Send out an email blast when new resources are uploaded and lessons learned from the event/activity.
- Don’t limit to sharing with other LGBT ERG chapters; be sure to include all ERGs across the organization, such as with the Women’s, Veteran’s, or People of Color ERGs. The intersectionality in the membership between ERGs is undeniable and we can support progress across the board by sharing information.

Virtual meetings

- Internal virtual meetings enable multiple geographical locations to sync up and share information, current events, and resources
  - Set these up to recur monthly or quarterly depending on audience and agenda.
- External virtual meetings enable collaboration with outside organizations’ ERG/BRG
  - This is particularly helpful for smaller organizations who have small grass-roots ERGs or who are looking to create a ERG

Global ERG Newsletter

- Newsletters lend an opportunity to showcase the work that each ERG completes around the globe.
  - Promote cultural awareness through sharing regionally-specific events, holidays, celebrations or victories/struggles (i.e. policy change, info on political climate).

Establish cross-regional mentorship programs

- Connecting people across regions provides:
  - Cultural awareness and sensitivity
  - Business value when we understand our diverse employees
  - Communication between employees
  - A “safe-space” to learn about cultures and ways of being that are different from your own

Source: OutandEqual
How Leaders Can Engage

Speak Up

- Leaders who believe in LGBT inclusion can utilize their position of influence to promote the ERG and the importance of inclusion in the workplace.
  - **EXAMPLES:**
    - Share articles related to workplace equality with your team via emails, in team meetings, newsletters, and/or on professional social media platforms (such as LinkedIn).
    - Forward ERG newsletters and events to your team stressing their importance and encouraging each team member to participate.
    - Recognize and reward employee’s ERG achievements in team meetings, newsletters, and/or emails.
  - Encourage your team member to share their experiences during team meetings on what they’ve learned or the skills that they’re building through their involvement with the ERG.
  - Seek out ways to get involved with the ERG as an employee in general or as an Executive Sponsor, depending on your level.

Provide financial support where you can

- Identify avenues for assisting an ERG financially:
  - Can your team budget help cover any costs?
  - Advocate for ERG financial assistance with other departments or business groups
- Consider providing funds to help cover small ERG-related expenses, such as:
  - Printing or multimedia costs
  - SWAG purchases
  - Raffle items
  - Registration costs
  - Booth fees
  - Food costs
  - Travel expenses (transportation, lodging, food, incidentals, etc)

Source: OutandEqual