

# The Impact of DEI&B Programs on Engineering Firms: A Case Study



**ACEC**

AMERICAN COUNCIL OF ENGINEERING COMPANIES

Table of Contents

**Executive Summary..... 3**

Introduction..... 3

DEI&B Goals for Firms..... 3

DEI&B Leadership Structures Within Firms..... 4

DEI&B Efforts and Initiatives..... 4

Perceived Financial Benefits of DEI&B Programs..... 4

Perceived Non-Financial Benefits of DEI&B Programs..... 5

Metrics and Methods for Evaluating DEI&B Benefits..... 5

Challenges to Firms’ DEI&B Goals and Efforts..... 6

Real Financial Impact of DEI&B Programs..... 6

Real People Impact of DEI&B Programs..... 6

**Background & Methodology..... 7**

Participating Firm Demographics..... 8

Introduction..... 9

DEI&B Goals for Firms..... 10

DEI&B Leadership Structures within Firms..... 13

DEI&B Efforts and Initiatives..... 15

Comprehensive List of Specific DEI&B Efforts and Initiatives Across Companies..... .. 15

Perceived Financial Benefits of DEI&B Programs..... 17

Perceived Non-Financial Benefits of DEI&B Programs..... 18

Metrics and Methods for Evaluating DEI&B Benefits..... 19

Challenges to Firms’ DEI&B Goals and Efforts..... 21

Diversity Roadmap Scoring..... 23

Real Financial Impact of DEI&B Programs..... 24

Real People Impact of DEI&B Programs..... 27

Conclusion..... 30

References..... 31

# Executive Summary

## Introduction

During the Summer of 2024, the ACEC Diversity, Equity, Inclusion & Belonging (DEI&B) Committee commissioned this research study to build on the efforts begun in 2023 by the ACEC Research Institute through its Diversity Roadmap benchmarking tool and maturity model.

The primary goal of this research is to assess the impact of DEI&B initiatives on the financial performance of engineering and design services firms through a series of case studies with participants of the ACEC Research Institute Diversity Roadmap benchmarking tool.

## DEI&B Goals for Firms

Although all firms in this study began to develop an awareness for diversity over the last ten years, the real catalyst for much deeper and intentional focus on DEI&B came in 2020. As the world felt the deep social, political, and economic impacts of COVID-19, the social and racial justice movements in the U.S. underscored the imperative for more explicit dedication to DEI&B in society as a whole and in businesses.

For most of the women-owned, minority-owned or disadvantaged business enterprise (DBE) firms in this study, their commitments to DEI&B largely began at the inception of their firms.

For many other firms in this study, the impetus for their DEI&B focus drew from three main events: the hiring of a CEO/ President who held a personal and professional dedication to DEI&B; feedback from staff on lack of diversity; and a general media and cultural shift promoting equity and inclusion in American society.

These firms' goals displayed commonalities in the following areas:

- Fostering a workplace culture of inclusiveness, collaboration, and community where everyone's voices are heard, and employees feel a true sense of belonging
- Increasing diversity in recruiting, hiring, and retaining of highly qualified talent at all levels of the firm from board membership to senior leadership to summer interns
- Promoting the value of diversity and inclusion as essential to business as diverse perspectives and experiences promote stronger problem-solving skills and foster the safety required for the open sharing of ideas

In addition to these common goals shared across all the firms interviewed, many mid-sized and large firms developed specific formal goals targeting the recruitment and retention of diverse talent including:

- Increasing recruitment of women and other historically under-represented groups
- Evaluating the equity in their promotion policies
- Implementing anti-bias learning opportunities for HR, hiring managers, and talent acquisition personnel
- Strengthening community outreach in K-12 schools, colleges, and historically black colleges and universities (HBCUs) to inspire excitement in engineering among young people from under-represented groups'

## The Impact of DEI&B Programs on Engineering Firms: A Case Study

- Allowed diverse perspectives fostering stronger problem-solving approaches and projects
- Increased new business opportunities since clients seek companies with strong DEI&B commitments

## Perceived Non-Financial Benefits of DEI&B Programs

Although most firms believe they benefit financially from their DEI&B goals and efforts, they place considerably more emphasis on the non-financial benefits. Most firms agree that DEI&B is a long-term investment, and they are committed to continuously building a sense of community and belonging in their firms. The non-financial benefits include:

- Cultivating welcoming, safe communities that foster a culture of belonging
- Fostering purpose-driven companies
- Focusing on DEI&B initiatives drives continuous improvement

## Metrics and Methods for Evaluating DEI&B Benefits

Companies utilize a variety of methods to measure their progress in meeting their DEI&B goals and impacts on the overall financial and cultural health of their organizations. Most firms do not currently have financial metrics that are directly tied to DEI&B programs, although they do have separate billing codes for time spent on initiatives; this is especially the case for small and mid-sized firms.

Rather than financial metrics, many firms feel the impacts of their DEI&B efforts are based on anecdotal observations of growth in overall congeniality and a sense of workplace community.

These firms shared extensive and varied approaches to gathering data using non-financial metrics including:

- Conducting Surveys
- Collecting demographic data and tracking retention and hiring rates
- Tracking participation in social events, learning opportunities, and employee resource groups
- Tracking events and efforts throughout the year
- Monitoring and compiling board and senior leadership reports
- Holding individual check-in meetings
- Tracking inclusion indexes and leadership competencies
- Performing pay equity audits

## Challenges to Firms' DEI&B Goals and Efforts

Participants in this study discussed a wide array of challenges they face with respect to their DEI&B goals and efforts.

- Handling resistance from employees
- Navigating the “anti-woke” backlash
- Understanding the long-term investments of DEI&B
- Disconnects in DEI&B understanding and commitments

## Real Financial Impact of DEI&B Programs

For the financial analysis that follows, firms were placed into two groups based on their Diversity Roadmap Score, which uses a scale of 0 to 100. Half were placed into the “Lower Diversity Score” group with an average Diversity Roadmap Score of 46 (Aspiring) while the other half were placed into the “Higher Diversity Score” group with an average Diversity Roadmap score of 71 (Managing).

Participating firms were asked to provide six years of financial metrics which include:

- Gross Service Revenue
- Net Service Revenue
- Earnings Before Interest Taxes Depreciation Amortization (EBITDA)

In addition to the above, we calculated EBITDA as a Percentage of Net Service Revenue from the data provided. The results are striking.

In all but one year (2020), firms with Higher Diversity Scores had higher Gross Service Revenue growth.

Firms in the Higher Diversity Score group maintained a significant Net Service Revenue advantage over firms in the Lower Diversity Score group until 2023, when the gap between the two closed.

Except for 2023, the Higher Diversity Score group realized significant advantages in EBITDA growth compared to the Lower Diversity Score group.

Higher Diversity Score firms saw higher EBITDA as a percentage of Net Service Revenue ratios than Lower Diversity Score firms in four out of the six years under study.

While the above results are from a small number of firms, the data suggest there is a strong correlation between Higher Diversity Scores and better financial performance.

### Real People Impact of DEI&B Programs

Participating firms were asked to provide six years of non-financial metrics which include:

- Annual Full Time Equivalent (FTE) Count
- Annual Turnover for All Staff
- Annual Turnover for Staff in Under-Represented Groups

Perhaps not surprising given the strong growth advantage in Gross Service Revenue, firms in the Higher Diversity Score group saw much higher growth in FTE during all years. More remarkable, during the Pandemic year of 2020, Higher Diversity Score firms saw a healthy increase in FTE compared to the Lower Diversity Score group which saw a decline in FTE.

However, there is one surprising finding from this study: Higher Diversity Score firms saw higher turnover rates in all but two years, and those years immediately followed the pandemic (2021 and 2022). In addition, it is very interesting that the under-represented group turnover rate has increased steadily since 2018, perhaps pointing to broader trends not addressed in this study, such as the competition for talent and a drive by firms in the industry to diversify their staff leading to more churn of under-represented individuals.

It is also worth noting that in the 2024 Q2 ACEC Research Institute Engineering Business Sentiment Survey, larger firms reported a turnover rate that was 66% higher in the preceding 12 months compared to smaller firms. In addition, preliminary data from the 2023 Diversity Roadmap (not yet published) reveal smaller firms have a lower turnover rate than larger firms. It is possible the turnover rate data in this case study is being affected by firm size more so than by DEI&B efforts.

It appears the people impact of DEI&B programs, in terms of turnover, may not be as clear a correlation as the financial impact. Again, this is a small number of firms represented by these case studies and a larger scale study needs to be conducted to determine if these trends hold.

# Background and Methodology

During the Summer of 2024, the ACEC Diversity, Equity, Inclusion & Belonging (DEI&B) Committee commissioned this research study to build on the efforts begun in 2023 by the ACEC Research Institute through its Diversity Roadmap benchmarking tool and maturity model. This is the first research of its kind in the engineering and design services industry.

The primary goal of this research is to assess the impact of DEI&B initiatives on the financial performance of engineering and design services firms through a series of case studies with participants of the ACEC Research Institute Diversity Roadmap benchmarking tool.

The Institute for Association and Nonprofit Research (IFANR) ([ifassociationresearch.com](https://ifassociationresearch.com)) conducted this study in its entirety.

Thirteen one-on-one interviews were conducted with the DEI&B leaders at participating firms between May 7 and May 31. The DEI&B leader at many firms was the president of the firm, particularly for small firms. However, at larger firms they were more likely to be a person assigned to a DEI&B leadership role. As a follow-up, these leaders were asked to submit six years of financial and non-financial metrics for analysis.

It should be noted that this research is qualitative in nature. Participants were selected by IFANR after they completed an online screener that was emailed to all Diversity Roadmap users. Great care was taken by IFANR to select a broad representation of firms (see next page). However, the findings of this research should not be extrapolated to all engineering and design services firms.

This research is just one step on the path to quantifying more broadly the financial impacts of DEI&B programs on engineering and design services firms.



### Participating Firm Demographics

A variety of firm demographic information was collected from participants to ensure as broad a representation of firms as possible. Below is a profile of the 13 participating firms.

- Firms are headquartered across the United States in Colorado, Florida, Georgia, Illinois, Louisiana, Maine, Massachusetts, Michigan, Minnesota, North Carolina, North Dakota, Oregon, and Texas.
- While four firms have only one office location, others have between three and 32.
- Six firms have fewer than 75 employees (referred to in this study as “small firms”), five firms have between 100 and 500 employees (“mid-sized”) and the remaining two firms have more than 1000 employees (“large firms”).
- Two firms have been operating for less than 20 years, three firms have been in business for less than 30 years and the remainder for more than 30 years.
- The percentage of revenue coming from private sector clients ranges from 0% to 65%.
- Six firms are designated as small business enterprises (SBE). Among those six firms, three are designated as disadvantaged business enterprises (DBE), two are designated as woman-owned business enterprises (WBE) and one is designated as a minority-owned business enterprise (MBE).
- Three firms are 100% ESOPs while the remaining are privately held.
- Two firms are C Corporations, two are Limited Liability Companies and the remainder are S Corporations.
- Ten firms have leadership that includes individuals from historically under-represented populations.
- Firms provide services across the entire spectrum of the industry and in all sectors.

Diversity Roadmap Scores range from a low of 25 to a high of 90, on a scale of 0 to 100.



# Introduction

In today's political climate, diversity, equity, inclusion, and belonging (DEI&B) initiatives are positioned by some as diametrically opposed to the financial interests of an organization leaving them to ask, "Is there a strong business case for adopting and implementing DEI&B initiatives in companies?" According to McKinsey & Company's 2023 report exploring the holistic impact of diversity on workforces, the short answer is yes, there is a significant business case for prioritizing DEI&B. Based on the research of over 1,200 companies across industries and around the world, their report demonstrates a very strong positive correlation between gender and ethnic diversity in leadership and financial success. In fact, companies with strong diversity in leadership outperform their peers with low leadership diversity by 39%. Studies such as McKinsey & Company's mark a strong paradigm shift in the last decade that clearly demonstrate how a strong DEI&B focus not only positively shapes a firm's social and moral culture but also offers significant financial benefits.

These trends are not just observable in global markets but also in the field of engineering in the U.S. As with many industries, COVID-19 and the social justice movements in 2020 propelled ACEC and its member firms to look seriously at how firms were embracing diversity, promoting equity, fostering inclusion, and cultivating a sense of belonging in their workplaces. In 2023, the ACEC Research Institute responded to this call by publishing the Diversity Roadmap, an essential and evolving resource for member firms to evaluate their current DEI&B efforts, identify gaps, and set them on their own journeys to strengthen DEI&B initiatives at their firms. The goal of the Roadmap is to promote more inclusive and equitable work cultures that benefit individuals, organizations, and clients.

Despite the enthusiasm for the Diversity Roadmap, some firm leaders are still asking, "What is the business case for DEI&B efforts?". In response, ACEC embarked upon this project to interview senior leadership and DEI&B leaders of member firms who used the Diversity Roadmap to investigate how their DEI&B initiatives and efforts are financially and socially impacting their firms. Based on the information gathered from these case studies, this white paper presents the business case for cultivating safe, inclusive and thriving workplaces by exploring the following:

- Participating firms' DEI&B goals
- DEI&B program structures and the roles of senior leadership
- DEI&B initiatives and efforts
- The challenges of implementing DEI&B initiatives and how firms are addressing these challenges
- The financial and non-financial benefits of DEI&B initiatives

This study demonstrates how some engineering and design services firms across the U.S. see a strong connection between their DEI&B initiatives and the positive impacts on the success of their firms.

### DEI&B Goals for Firms

The evolution of adopting and implementing DEI&B goals and initiatives for the firms interviewed for this study are as unique and varied as the engineering and design services firms themselves. For most of the minority/woman-owned or disadvantaged business enterprise (DBE) firms, their commitments to DEI&B largely began at the inception of their firms. According to a president of a small firm,

“From the minute that we formed, we were a woman-owned and disadvantaged business company. I really believed that if I was going to start a woman-owned engineering firm, I really needed to work on DEI&B and weave that into our culture, which we have. We always look at everything through that lens.”

However, for many other firms, the impetus for their DEI&B focus drew from three main events: the hiring of a CEO/president who held a personal and professional dedication to DEI&B; feedback from staff on lack of diversity; and a general media and cultural shift promoting equity and inclusion in American society. One president from a small firm shared how he became aware of the need for his firm to focus on diversity when he received feedback from a female summer engineering intern:

“It was in 2014. We were a small company, only 15 people, and I looked around and realized, ‘We’re all a bunch of guys. This is terrible.’ Then, we had a summer intern who shared that she was the only woman at the firm. And she was right. What young woman would want to work here if it’s just a bunch of white guys? So, we started to make a very conscious effort to improve diversity and representation at our firm.”

Although all firms in this study began to develop an awareness for diversity in their hiring practices over the last ten years, the real catalyst for much deeper and intentional focus on DEI&B came in 2020. As the world felt the deep social, political, and economic impacts of COVID-19, the social and racial justice movements in the U.S. underscored the imperative for more explicit dedication to DEI&B in society as a whole and in businesses. This was certainly the case for most of the firms and exemplified by a president of a mid-sized firm as he shared,

“I’d love to say we were actively engaged before 2020, but we really didn’t have a DEI&B committee before then. To be honest, the Black Lives Matter Movement really is what started us actively engaging and developing a committee. It became apparent to us, to our employees, and our organization to move forward.”

This critical social movement propelled a significant shift in the understanding of the interwoven connections between diversity, equity, and inclusion. Having diverse representation at the table does not matter if your company does not have a culture of inclusion and belonging where people actually feel safe and valued enough to use their voices.

“I don’t think we can over-emphasize the importance of the belonging piece because to me that’s a cultural piece in the organization... at [our firm], we are people first, we succeed together, we bring our best, we value excellence, and we are curious. Those are things that we talk about all the time, and we want people to come into [our firm], whatever their background is, and feel that they belong, that they have a voice...”

The cultural shifts in society impacted the firms’ employees as they began to voice their concerns and requests for their firms to provide vehicles to provide staff with learning opportunities on bias in the workplace, understanding differences and access, and to build more equitable and inclusive workplaces

where everyone felt a true sense of belonging. Whether in exit interviews, internal surveys, or other forms of feedback, employees were calling for intentional opportunities for people to learn, engage, and move DEI&B forward in their workplaces.

Younger generations especially wanted workplaces that reflected the communities that they served and called on their firms' leadership to make a commitment to equity-driven business missions and initiatives. Additionally, local communities and state governments refocused their own efforts on strengthening DEI&B as they sought out engineering and design firms that reflected their communities' demographics and goals for increasing equity and access in infrastructure. As one president of a mid-sized firm stated,

"I think what we're doing is the right thing...Our employees strongly believe in the purpose of DEI&B initiatives and the importance to our organization. We do transportation engineering, and there's a big focus now in transportation engineering on what we call equity planning--providing transportation facilities that serve communities who might need more help than other communities, who don't have their own cars, who have to take transit. And so, the equity part of our business ties into what's important to the great majority of our employees...I think that's the importance of DEI&B initiatives."

Similar to the above case, the firms in this study have heeded the calls of their DEI&B-dedicated employees, leaders, clients, as well as the wider social pressures to formalize and move their firms forward in meeting these important social demands over the last several years. In response, most firms regardless of size and geographic location set out to develop more intentional goals and structures for DEI&B at their firms. These firms' goals displayed commonalities in the following areas:

- Fostering a workplace culture of inclusiveness, collaboration, and community where everyone's voices are heard, and employees feel a true sense of belonging
- Increasing diversity in recruitment, hiring, and retention of highly-qualified talent at all levels of the firm from board membership to senior leadership to summer interns
- Promoting the value of diversity and inclusion as essential to business as diverse perspectives and experiences promote stronger problem-solving skills and foster the safety required for the open sharing of ideas

In addition to these common goals shared across all the firms interviewed, many mid-sized and large firms developed specific formal goals targeting the recruitment and retention of diverse talent including:

- Increasing recruitment of women and other historically under-represented groups
- Evaluating the equity in their promotion policies
- Implementing anti-bias learning opportunities for HR, hiring managers, and talent acquisition personnel
- Strengthening community outreach in K-12 schools, colleges, and historically black colleges and universities (HBCUs) to inspire excitement in engineering among young people from under-represented groups

These firms along with small minority and women-owned firms or those serving disadvantaged communities additionally established goals to provide spaces and opportunities for employees to engage in critical conversations and deepen their understanding of differences, cultural competence, bias, and accessibility. The leaders in this study largely believe that fostering employee awareness of differences and a focus on creating a fair, respectful, and open firm-wide culture is essential to the successful integration of

## The Impact of DEI&B Programs on Engineering Firms: A Case Study

DEI&B across their firms.

Although most of the small sized-firms in this study currently lack formal DEI&B goals and policies, the minority and women-owned/DBE small companies as well as the mid-sized and large firms all recently created formal DEI&B goals, policies, and structures to support their work. These efforts reflect the firms' goals to formalize their DEI&B goals and policies as a result of using the ACEC Diversity Roadmap and/or working with consultants to organize committees, designate DEI&B leaders on their staff, and create strategic plans and charters.

Minority and women-owned/DBE firms and/or those located in under-represented communities sought to go further and create goals that integrated and embedded DEI&B into all areas of their firm and serve as the foundation for the way they do business. It was imperative for these firms to not just "talk the talk but walk the walk" as they continuously challenged their firms to evaluate current practices and policies and continually evolve as inclusive workplaces.

## DEI&B Leadership Structures within Firms

As firms seek to build structures required to bring their DEI&B goals into practice, firm size largely determines the structure and resources needed for this implementation. Smaller firms are often limited by personnel and bandwidth capacity; therefore, most of these firms developed informal structures for implementing DEI&B initiatives. For instance, their DEI&B efforts are led by their presidents with implementation support provided by an office administrator and/or HR personnel. These small firms largely do not have the budgets to hire consultants, and employees play a more participatory role in initiatives and events rather than in leadership roles. Only one small minority-owned firm which holds a strong DEI&B mission currently has a DEI committee that brings a diversity of voices together to support their initiatives.

Unlike resource-strapped small firms, mid-sized and larger firms tend to have the budgets, personnel, and resources to develop specific structures and leadership that directly support their initiatives. Similar to small firms, senior leadership of mid-sized firms including CEO, President, Vice President, Chief People Officer, or HR Director remain the leaders of their DEI&B initiatives. However, these firms organize DEI&B committees or councils represented by diverse voices throughout their firms to set their goals, initiatives, and efforts.

For most of these mid-sized and larger firms, HR departments represent the senior leadership's logical choice for the day-to-day planning and implementation of their DEI&B initiatives. Strong communication and collaboration between HR, DEI&B committees, and senior leadership remain important as they discuss goals, efforts, and ensure alignment with the firm's business objectives and overall mission.

For all involved in developing and supporting DEI&B initiatives, there is a strong understanding that this work requires individual and collective action with both leaders, committees, and employees to ensure their visions remain a priority in the firm, and their efforts are successful in cultivating positive and inclusive workplaces.

For large firms, DEI&B leadership typically shifts responsibilities away from the CEO or president and places them with the Chief People Officer. These firms are more likely to have a designated person on staff to manage the implementation of DEI&B initiatives while their DEI&B councils are represented by various departments and geographic areas of their firms. Both mid-sized and large firms also often have the budgets to hire outside consultants to develop educational and training programs for their employees. Finally, large firms often hire consultants to support the creation of the firms' DEI&B goals and evaluate their current policies and efforts.

Although structures may vary depending on the size of firms, the importance of leadership buy-in remains a consistent imperative across all firms for successful implementation of their DEI&B initiatives. If leadership and employees do not believe they have strong leadership driving DEI&B, their efforts risk failing or remain at surface or performative levels. According to one president interviewed,

"If DEI&B is not supported by the executive team, then no one else in the firm is going to feel like it's important. Because it's important to our executive team, the firm sees the value in it."

Strong senior leadership buy-in and dedication is especially critical at small firms where the head of the firm often plays a more direct role in determining and implementing the vision.

## The Impact of DEI&B Programs on Engineering Firms: A Case Study

“As the president and leader, I set the tone and the vision and expectation. What I expect is that all of the leadership staff do their part to make that vision a reality.”

Across the board, firm leadership largely financially supports the implementation of DEI&B efforts and their employees’ time in leading, serving on committees, and participating in DEI&B trainings and events. While small firms often allocate administrative budgets to cover the costs of their events and programs, mid-sized and larger firms tend to allocate separate budgets to host events, hire consultants, and fund resources. Some firms even compensated their DEI&B committee members’ time by reducing their billable time requirements or offering comp time. Only one large firm relied solely on uncompensated volunteer time from their employees as they participated in their DEI&B efforts.

## DEI&B Efforts and Initiatives

Across all of the firms participating in this study, the DEI&B initiatives and efforts fell into four distinct categories: recruiting diverse and highly qualified talent, fostering inclusive workplace communities, building employee awareness of DEI&B, and communicating DEI&B mission and initiatives. These initiatives are detailed below.

Overall, all firms regardless of size or geographic location strive to foster inclusive workplace communities where everyone feels welcomed and valued. For smaller firms with smaller budgets and personnel, their initiatives mainly focus on building family-like environments by hosting regular social events, tracking and recruiting highly qualified talent from under-represented groups, and engaging in community outreach to get young people excited about a career in engineering.

For small firms that have a deeper focus on DEI&B as well as mid-size and larger firms, their efforts build on this foundation with dedicated learning opportunities, webinars, facilitated conversations, speakers, and Employee Resource Groups (ERGs). These firms also tend to utilize strong communication methods to share information, resources, and celebrate events internally in their organizations while also communicating their visions and efforts through outreach with the communities they serve.

## Comprehensive List of Specific DEI&B Efforts and Initiatives Across Companies

### Recruiting Diverse and Highly Qualified Talent

- Actively recruiting and/or tracking hiring practices of highly qualified staff from under-represented groups including women, racial/ethnic groups, sexuality, religion, veterans, etc.
- Engaging community outreach efforts including employee ambassador programs, college scholarships, participating in career fairs, and ACEC's Introduce a Girl to Engineering Day that target young people in K-12 schools, HBCUs, and other colleges in under-represented communities
- Mitigating bias in hiring policies by evaluating current practices, using blind resume reviews, providing anti-bias learning opportunities for HR and managers, reviewing gender and racial bias in the job posting language, and evaluating equity issues in benefits such as parental leave policies
- Using informal or formal audits to evaluate and address equity issues in pay, promotions, and bonuses

### Fostering Inclusive Workplace Communities

- Hosting firm-wide social events including office parties, lunches, dinners, bar trivia nights, and family events such as baseball games, picnics, and potlucks
- Hosting events around celebrations of diversity such as Black History Month, Pride Month, International Women's Day
- Creating physical spaces at the firm such as a community kitchen or game room for employees to congregate and get to know each other



## The Impact of DEI&B Programs on Engineering Firms: A Case Study

- Forming Employee Resource Groups or affinity groups for employees to meet in safe spaces, navigate challenges, and share experiences with people who share commonalities in identities and/or are allies
- Hosting regular “virtual touchdown meetings” to celebrate employees, milestones, and communicate upcoming events and celebrations

### Building Employee Awareness of DEI&B

- Mentoring programs for supporting leadership skills for women
- Supporting and funding their female employees’ attendance at women in engineering conferences
- Hosting Lunch and Learns to present topics on various DEI&B-related issues
- Regularly hosting webinars and/or email short videos on various DEI&B topics
- Facilitating team book and webinar discussions
- Hosting speakers and panel discussions
- Providing anti-bias learning opportunities
- Providing resources such as recommendations for books and articles on DEI&B topics

### Communicating Internally and Publicly DEI&B Mission and Initiatives

- Publishing clear DEI&B statements on websites and in project proposals
- Providing a calendar of events for employees advertising firm social events, learning opportunities, holidays, fundraising events
- Publishing a monthly newsletter that has a DEI “Focus of the Month”
- Providing consistent communication about equity issues facing their industry and the communities they serve
- Providing opportunities for anonymous feedback such as online “suggestion boxes”
- Soliciting employee feedback on DEI&B progress through surveys, exit interviews, 1:1 check-ins or conversations with management or committee members
- Communicating the firm’s DEI focus in the on-boarding process
- Researching efforts used by industry peers to gather ideas for continued improvement

## Perceived Financial Benefits of DEI&B Programs

Each of the engineering and design firms who participated in this study shared that their firms benefited financially either directly or indirectly due to their focuses and efforts on DEI&B. Although the benefits are difficult for most firms to quantify, there is significant consensus across many of these firms that they do benefit financially when their employees feel valued and respected. These financial benefits include:

### Increased Retention and Low Turnover

Recruitment, hiring, and on-boarding new employees is highly expensive for firms. Therefore, these firms find their DEI&B efforts cultivate environments where people enjoy coming to work, rarely leave for other jobs, and recommend their firms to external colleagues. These firms strive to have strong reputations that attract people who share their visions for inclusive workplaces and want to stay for the long-term at a purpose-driven organization. They find that their employees feel valued when they can contribute to the success of the firm and its vision, and their firms invest in their professional growth.

### Created Inclusive Workplaces That Create More Productive Employees

When employees are excited, engaged, and feel that they have “skin in the game” and are a part of the firm’s future, they are more productive. This increased productivity and positivity results in high-functioning teams, increased efficiency, stronger projects, and more satisfied clients.

“One of the greatest benefits is that if you truly put effort into DEI&B, people are engaged. They continue to stay engaged in the firm, which helps the bottom line.”

### Allowed Diverse Perspectives Fostering Stronger Problem-Solving Approaches and Projects

Diverse people bring unique perspectives together and enhance collaboration, collective problem-solving approaches, and a stronger overall project. An inclusive environment fosters the safety and respect required for people to speak up and share their ideas and perspectives.

### Increased New Business Opportunities Since Clients Seek Companies with Strong DEI&B Commitments

Most of the firms interviewed are dedicated to transportation equity and serving the community—a focus that is not lost on their clients. Many of the firms have won contracts because of their focus and reputation for DEI&B. One even received feedback from clients that they chose to work with their firm after being turned off by the lack of diversity at other firms. Similarly, several smaller firms share that other firms want to partner with them in order to give their bids a more competitive edge. The idea here is they are smaller firms which are sometimes needed to fulfill government contract requirements, and they are diverse. The firms’ dedication to DEI&B not only attracts new clients but also strengthens relationships with current clients and communities.

### Perceived Non-Financial Benefits of DEI&B Programs

Although most firms believe they benefit financially from their DEI&B goals and efforts, they place considerably more emphasis on the non-financial benefits. Every firm participating in this study shared that they are driven by their strong dedication to fostering safe and inclusive workplaces and “doing what’s right” for their employees and clients. Most agree that DEI&B is a long-term investment, and they are committed to continuously building a sense of community and belonging in their firms.

#### Cultivating Welcoming, Safe Communities that Foster a Culture of Belonging

When people feel safe and morale is high, people are excited to collaborate and share ideas, which fosters vibrant and healthy workplaces. Company leaders share pride in how their efforts are successful when even employees at large firms share feedback on how their firms feel like close-knit families.

#### Fostering Purpose-Driven Companies

People are excited to work for and seek out purpose-driven and service-oriented firms. Many of these firms strive to promote transportation equity and support the needs and work of disadvantaged communities. Therefore, their employees want to feel that their contributions are valued and play a role in improving firms and giving back to communities.

#### DEI&B Initiatives Keep Companies Focused on Continuous Improvement

Because DEI&B efforts are long-term investments that focus on continued growth rather than perfection, firms with strong DEI&B focuses are constantly improving their work environment, leading to happier, more inclusive, collaborative, and engaged workforces.

# Metrics and Methods for Evaluating DEI&B Benefits

Companies utilized a variety of methods to measure their progress in meeting their DEI&B goals and impacts on the overall financial and cultural health of their organizations.

Most firms do not currently have financial metrics that are directly tied to DEI&B programs; this is especially the case for small and mid-sized firms. While some feel that measuring the impacts are difficult or have not previously considered financial metrics, some firms feel that using formal financial metrics actually undermines their efforts since they believe DEI&B cannot and should not be quantified.

One minority-owned firm shared that its DEI&B work is a core value of their firm: “It’s not something that we decided to do, it’s something that we decided to live.” Their focus on “doing what’s right” in taking care of employees and clients are values they want to decouple from quantifiable measures.

However, some of the larger firms utilize financial metrics including supplier diversity metrics to register and track suppliers in order to prioritize those with diverse staff and to support local and disadvantaged communities.

Rather than financial metrics, many firms feel the impacts of their DEI&B efforts are based on anecdotal observations of growth in overall congeniality and a sense of workplace community. These firms shared extensive and varied approaches to gathering data using non-financial metrics including:

## Surveys

Most firms utilize Employee Engagement Surveys, exit surveys, DEI Impact Surveys, and/or the ACEC Research Institute Diversity Roadmap. They administer surveys on a regular basis (ranging from once to three times a year) in order to gauge employees’ feelings about their work environment, overall morale, and gain important feedback on how their efforts are impacting their workforces.

## Collecting Demographic Data and Tracking Retention and Hiring Rates

Although firms do not set goals or quotas for recruiting and hiring based on specific identities, many collect and track data on the diversity of their workforces. They largely experience no issues in attracting and hiring highly-qualified talent, increasing the diversification of their staff, and realizing very low turnover rates despite the overall workforce constraints. Although smaller firms use informal tracking methods, the mid-sized and large firms utilize formal metrics and affirmative action reports.

## Tracking Participation in Social Events, Learning Opportunities, and Employee Resource Groups

Some firms track the number of employees attending different events and learning opportunities to gauge employee interest and use employee feedback to plan future events. Many firms are proud of the high rate of employee participation at their events.

## The Impact of DEI&B Programs on Engineering Firms: A Case Study

### Tracking Events and Efforts throughout the Year

Some firms gather annual lists of social events, celebrations, learning opportunities, speakers, webinars, facilitated team discussions, Employee Resource Group and committee meetings, communications, and/or surveys. They often use this information as part of their board/senior leadership reports and as formative data to make future adjustments in programming.

### Board and Senior Leadership Reports

Companies with more formal DEI&B structures and committees regularly share their goals, events, and progress with board members and senior leadership.

### Individual Check-In Meetings

Firms gather more qualitative data based on the conversations senior leadership and HR have with DEI committees, managers, and teams. These regular check-ins offer valuable feedback on the overall team and workforce morale as well as how teams respond to learning opportunities such as webinars and facilitated discussions around DEI&B topics. For instance, one senior leader received feedback from managers who expressed concerns that they lacked experience and skills to effectively facilitate DEI&B conversations with their teams. The senior leadership responded to this feedback with additional resources to support their managers in this important area.

### Inclusion Indexes and Leadership Competencies

Larger firms are currently exploring Inclusion Indexes as a firm-wide scorecard assessing their DEI&B goals. Additionally, one firm is currently developing a leadership program rooted in the Intercultural Development Inventory (<https://www.idiinventory.com>) as they seek to strengthen their senior leadership's overall competency, buy-in, and leadership skills in leading DEI&B initiatives.

### Pay Equity Audits

Smaller firms largely conduct internal audits as their senior leadership informally keeps an eye on market trends, including using salary surveys conducted by ACEC member organizations (MOs), and making adjustments based on gaps. Mid-sized and large firms typically conduct more formal reviews and adjust salaries/bonuses accordingly and may additionally hire outside consultants to conduct the audits. The frequency of these informal or formal audits largely varies across all firms with some conducting annual audits while others engaged them more periodically. For many firms, their informal or formal audits typically reveal no significant discrepancies in compensation, and any smaller gaps are promptly addressed.

# Challenges to Firms' DEI&B Goals and Efforts

Participants in this study discussed a wide array of challenges they face with respect to their DEI&B goals and efforts. They also revealed how they are addressing these challenges.

## Handling Resistance from Employees

Some firms experience resistance to DEI&B efforts from a few individual employees, especially white men, who feel the initiatives are being forced on them. Here is how they respond:

- Stay the course and remain dedicated to their goals to foster strong, inclusive workplaces where everyone feels respected. Companies understood the importance of these goals and efforts despite “ruffling a few feathers”. For one highly DEI&B-focused firm, if they lost a few resistant people, they knew their efforts to build a diverse workplace would bring in new people who more deeply support their DEI&B mission.
- Need a strong stance and support from senior leadership that sets the tone for the firm and pushes back on resistance.
- Use proactive and transparent communication to ensure that employees understand why this work is important to all stakeholders in the workplace and what is expected of them.
- Offer opportunities for leadership/committee members to meet 1:1 with people to voice concerns.
- Require observable evidence that the DEI&B initiatives are negatively impacting resisters when they file complaints with leadership, committees, and/or HR.

## Navigating the “Anti-Woke” Backlash

Although most firms in this study do not feel pressured by the outside political environment, most are aware of it and proactively respond to protect their firm’s DEI&B goals and efforts. This is true regardless of the geographical location of the firm. Here is how they respond:

- Stay the course and maintain dedication to their DEI&B goals and efforts. Many work in equity-driven/disadvantaged communities and focus on meeting those needs and goals rather than focusing on outside pressures.
- Reframing language to shift the perspective that DEI&B “is political” to focus on how these efforts seek to build safe, welcoming, positive workplace cultures for everyone and how diversity of perspectives creates better teams.

## Understanding the Long-Term Investments of DEI&B

Creating meaningful and long-lasting cultural change does not happen overnight or with quick-fix learning opportunities. Instead, this work requires long-term investments in funding, time, and resources in order to move beyond performative DEI&B statements and goals to truly foster inclusive and productive workplaces. This can be a particular challenge for smaller firms that have more limited budgets, personnel, and resources. Here is how they respond:

## The Impact of DEI&B Programs on Engineering Firms: A Case Study

- Start where you are. Set goals and consistently reflect on your progress and your next steps. DEI&B work is a long-term focus on learning and growth, not a race to perfection.
- Tap into the resources you already have, expertise already in your workplace, and utilize resources from ACEC, including the Diversity Roadmap. Network and exchange ideas with other small firms with strong DEI&B programs.
- Strong leadership buy-in will set the tone and keep the efforts centered in the overall strategic plan of the firm.

### Disconnects in DEI&B Understanding and Commitments

Some firms experience gaps between their DEI&B committees' goals/efforts and those of their senior leadership. They feel that the senior leadership/boards do not fully understand the purpose and question costs associated with hiring consultants and speakers. Other DEI&B leaders/committees feel constrained by HR regulations and policies as they seek to implement their initiatives.

Similarly, firms are concerned about balancing the workloads and billable hours of their employees with their participation in DEI&B learnings and events. Finally, some firms shared gaps in how employees perceive the efforts as some employees feel that the DEI&B efforts go too far and are too political while others feel the current efforts are not going far enough

Here is how they respond:

- Build strong collaborative relationships with senior leadership and board members. Communicate regularly with leadership to report updates on initiatives and seek their feedback. Those firms with strong DEI&B focuses are led by leaders who prioritize these initiatives and actively support planning and participate in events. Larger firms are exploring and investing in leadership competency evaluations and anti-bias learning opportunities for leaders to build their awareness.
- Foster open dialogue with employees and obtain their feedback on the efforts.
- Consistently solicit feedback from managers, teams, and employees to investigate their participation in DEI&B efforts. Use this information to make adjustments to initiatives in order to best support employees with balancing both DEI&B and project work.
- Consistently communicate the impacts of the DEI&B initiatives on the overall workplace culture to senior leadership and employees. Include their voices in setting new goals and adjusting programs to be more effective while not being deterred by a "few ruffled feathers."
- Ideally, integrate DEI&B throughout all initiatives in the firm, rather than leaving it to stand alone. As one senior leader shared, DEI&B "isn't something they just do, it's something that they live."



# Diversity Roadmap Scoring

As a reference point, there are four maturity levels in the ACEC Research Institute's Diversity Roadmap.

For the financial analysis that follows, firms were placed into two groups. Half were placed into the "Lower Diversity Score" group with an average Diversity Roadmap score of 46 (Aspiring) while the other half were placed into the "Higher Diversity Score" group with an average Diversity Roadmap score of 71 (Managing).



100% – 85%

## **OPTIMIZING: Outstanding Work! Your Firm's DEI&B Program is Best in Class!**

An optimized DEI&B program is a comprehensive and strategic initiative that is deeply integrated into the firms' culture, values, and business strategy. It is an ongoing journey that requires continuous effort, adaptability, and genuine commitment from all levels of the firm. Keep up the great work!



84% – 70%

## **MANAGING: Good Job! You're Doing Well.**

A well-managed DEI&B program is effective in implementing and maintaining the firm's DEI&B initiatives but may be lacking in some areas. By incorporating a strategic approach and a few additional best practices, you should be able to become a best in class firm in no time. Revisit the survey to check your progress and keep up the good work.



69% – 55%

## **EMERGING: Keep Broadening and Developing Your Plan.**

An emerging program includes a strong commitment to creating a diverse, equitable, and inclusive firm where people feel they belong, but has a less developed and comprehensive strategy. Keep employing some of the best practices you have incorporated and develop a game plan for broadening your approach. Revisit the survey to check your progress and try to incorporate best practice tips found in the assessment report.



Below 55%

## **ASPIRING: Congratulations! You've Taken the First Steps.**

An aspiring program indicates a growing awareness and recognition of the importance of DEI&B, but the efforts are still relatively limited and may not be fully integrated into the firm's culture and practices. Recognizing there are areas of improvement you need to address is the first step in maturing your program. Check out the best practice tips in the assessment report for maturing your DEI&B program.

### Real Financial Impact of DEI&B Programs

As part of the case studies, firms were asked to provide six years of financial and non-financial metrics. The financial metrics include:

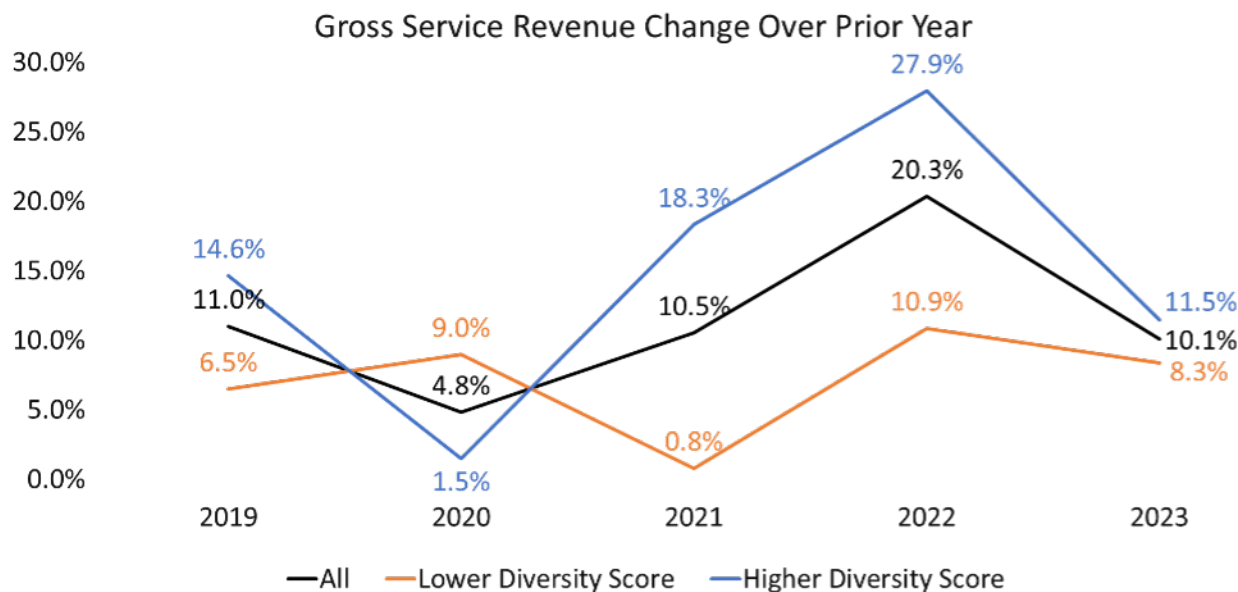
- Gross Service Revenue
- Net Service Revenue
- EBITDA

In addition to the above, we calculated EBITDA as a Percentage of Net Service Revenue from the data provided.

To ensure maximum confidentiality of participating firms' data, only the staff at IFANR were able to see the data. In addition, on most metrics we are reporting on the change over the prior year to further mask the underlying data.

As seen in Figure 1 below, in all but one year (2020), firms with Higher Diversity Scores had higher Gross Service Revenue growth. It is noteworthy that firms in the Higher Diversity Score group are larger in terms of revenue and FTE, on average, than firms in the Lower Diversity Score group. In addition, 2020 was the first year of the COVID-19 pandemic and it is possible larger firms suffered more losses than smaller firms during that period.

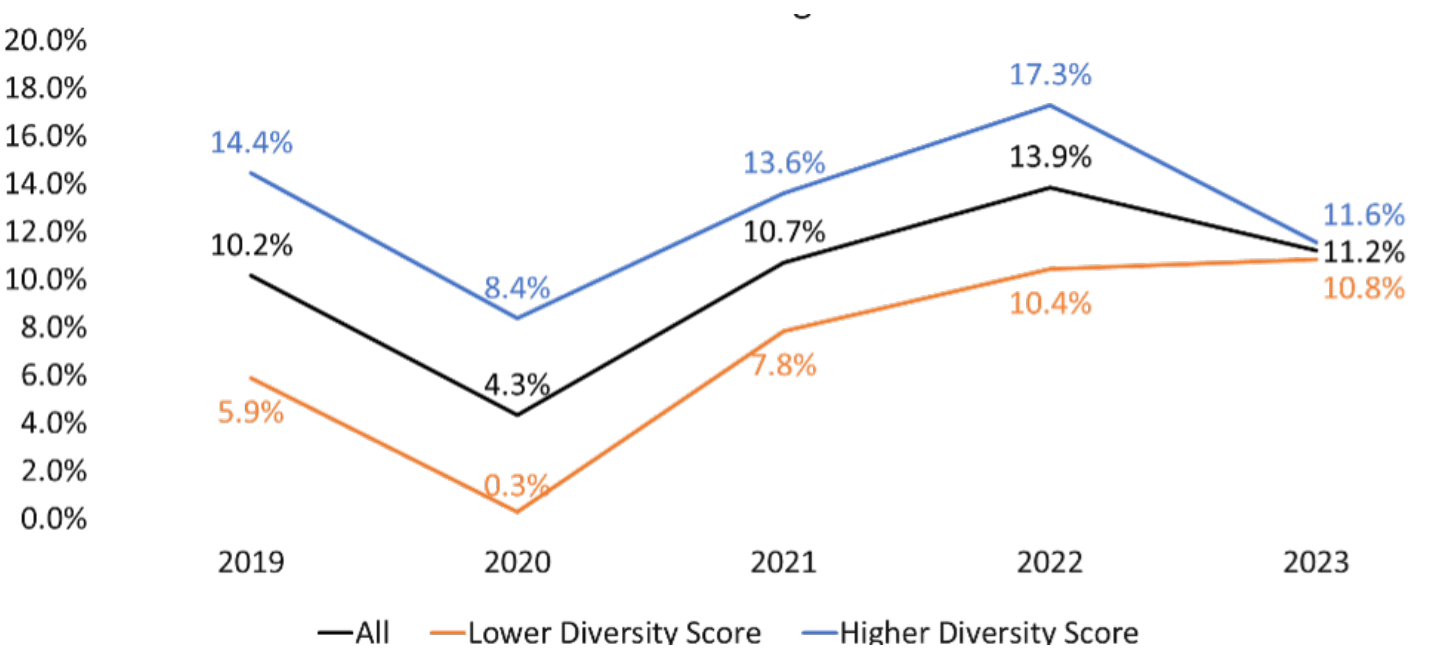
Figure 1: Gross Service Revenue Change Over Prior Year



Looking at Net Service Revenue, it is evident that firms in the Higher Diversity Score group maintained a

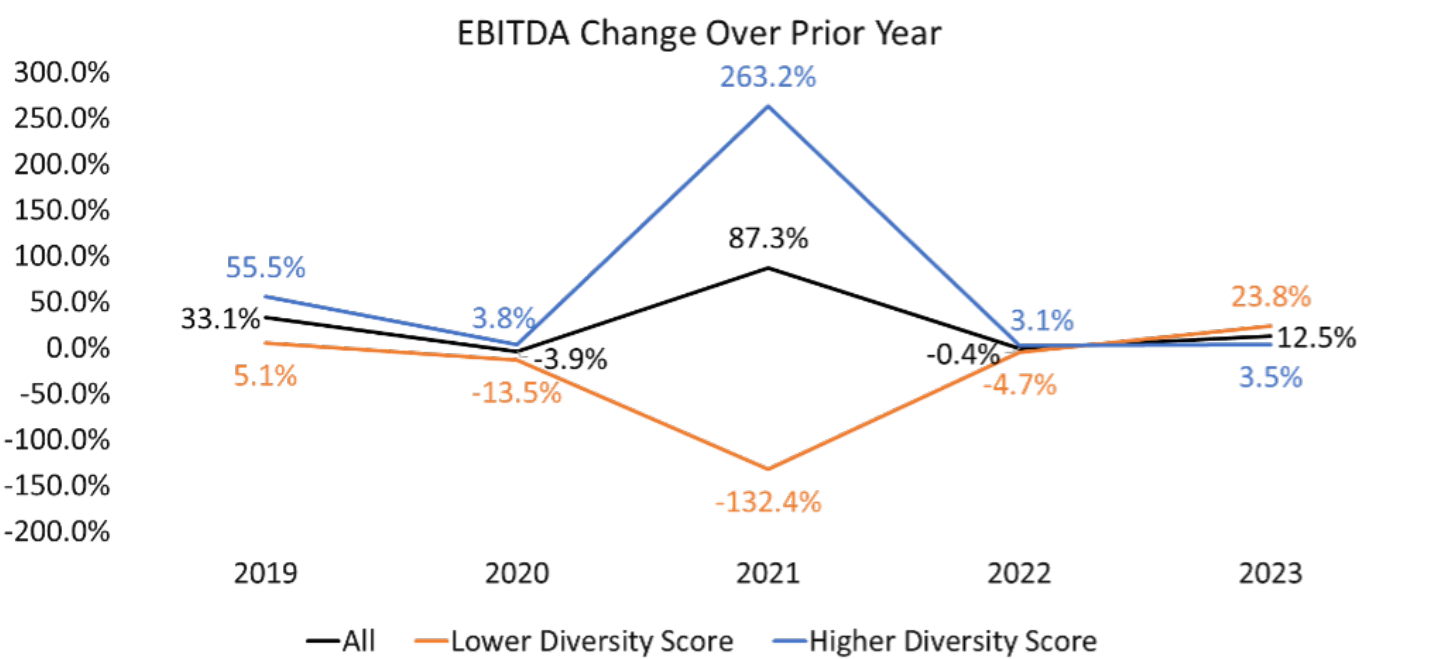
significant advantage over firms in the Lower Diversity Score group until 2023, when the gap between the two closed.

Figure 2: Net Service Revenue Change Over Prior Year



With the exception of 2023, the Higher Diversity Score group realized significant advantages in EBITDA growth compared to the Lower Diversity Score group. It appears these differences were magnified in 2021, likely due to PPP loans and other support measures provided by the Federal government during the pandemic.

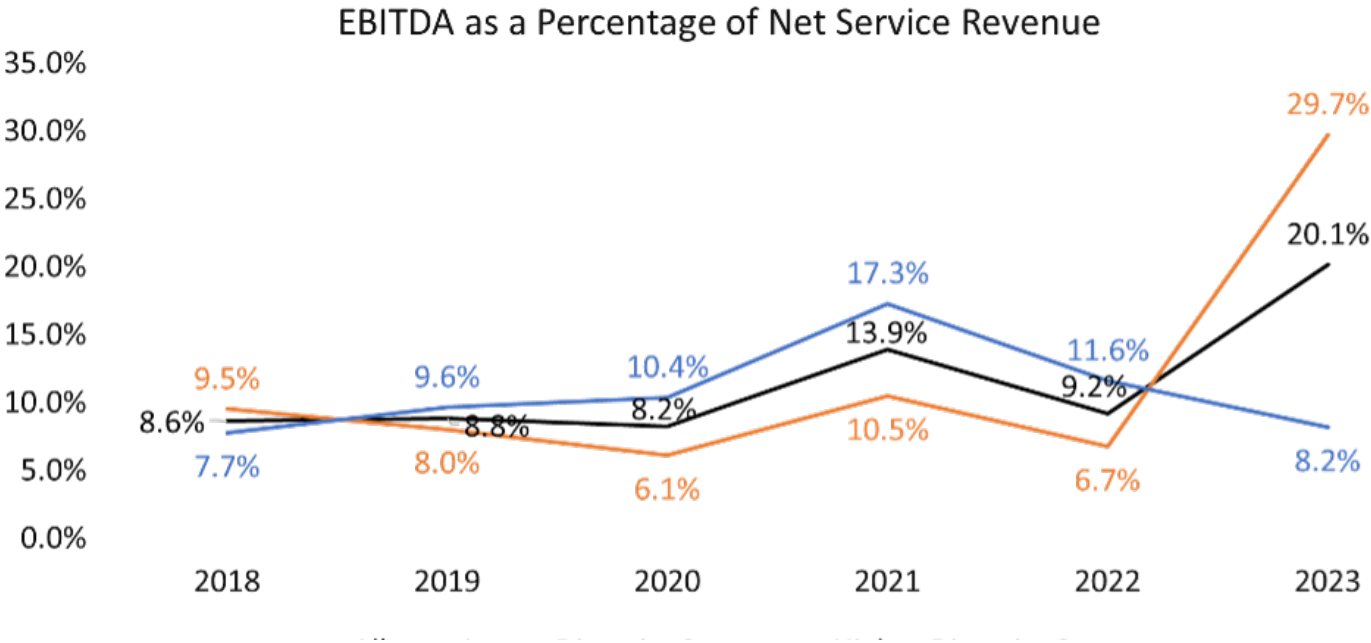
Figure 3: EBITDA Change Over Prior Year



# The Impact of DEI&B Programs on Engineering Firms: A Case Study

Using data provided by participating firms, we calculated EBITDA as a percentage of Net Service Revenue. This metric reveals that Higher Diversity Score firms saw higher ratios than Lower Diversity Score firms in four out of the six years under study. However, it is interesting that Lower Diversity Score firms saw a large increase in 2023. Is this data an outlier or a real shift? Further research will need to be conducted to determine whether this metric is indeed correlated with diversity scores over the long term.

Figure 4: EBITDA as a Percentage of Net Service Revenue



While the above results are from a small number of firms, the data suggest there is a strong correlation between Higher Diversity Scores and better financial performance. A larger scale study, which also includes firms without DEI&B programs, needs to be conducted to confirm these results.

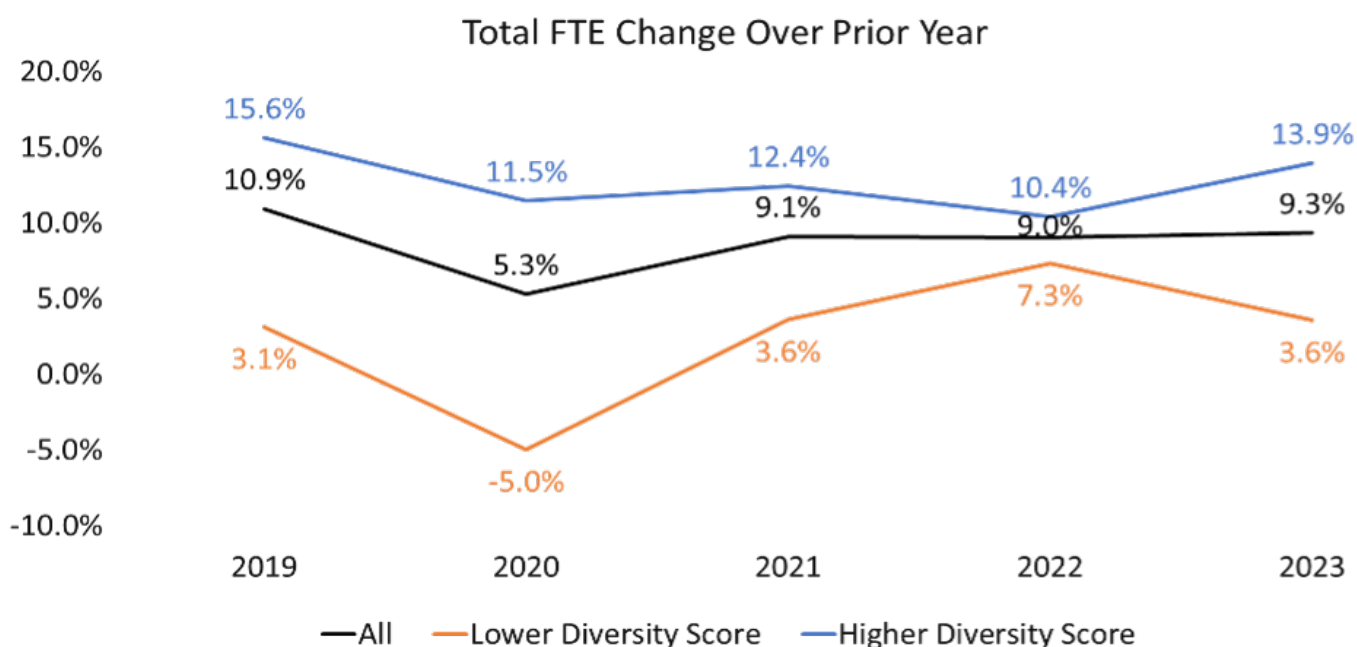
## Real People Impact of DEI&B Programs

As part of the case studies, firms were asked to provide six years of financial and non-financial metrics. The non-financial metrics include:

- Annual FTE Count
- Annual Turnover for All Staff
- Annual Turnover for Staff in Under-Represented Groups

Perhaps not surprising given the strong growth advantage in Gross Service Revenue, firms in the Higher Diversity Score group saw much higher growth in FTE during all years. More remarkable, during the Pandemic year of 2020, Higher Diversity Score firms saw a healthy increase in FTE compared to the Lower Diversity Score group which saw a decline in FTE.

Figure 5: Total FTE Change Over Prior Year



Given all the other data, as well as results of the one-on-one interviews, it is surprising that Higher Diversity Score firms saw higher turnover rates in all but two years, and those years immediately followed the pandemic (2021 and 2022). We see a similar result in Figure 7 with the turnover rate for under-represented groups at firms. In addition, it is very interesting that the under-represented group turnover rate has increased steadily since 2018, perhaps pointing to broader trends not addressed in this study, such as the competition for talent and a drive by firms in the industry to diversify their staff leading to more churn of under-represented individuals. Workforce trends have also been undergoing significant undulations since the pandemic not seen in our lifetimes which may have other impacts not yet known.

## The Impact of DEI&B Programs on Engineering Firms: A Case Study

Figure 6: All Staff Turnover

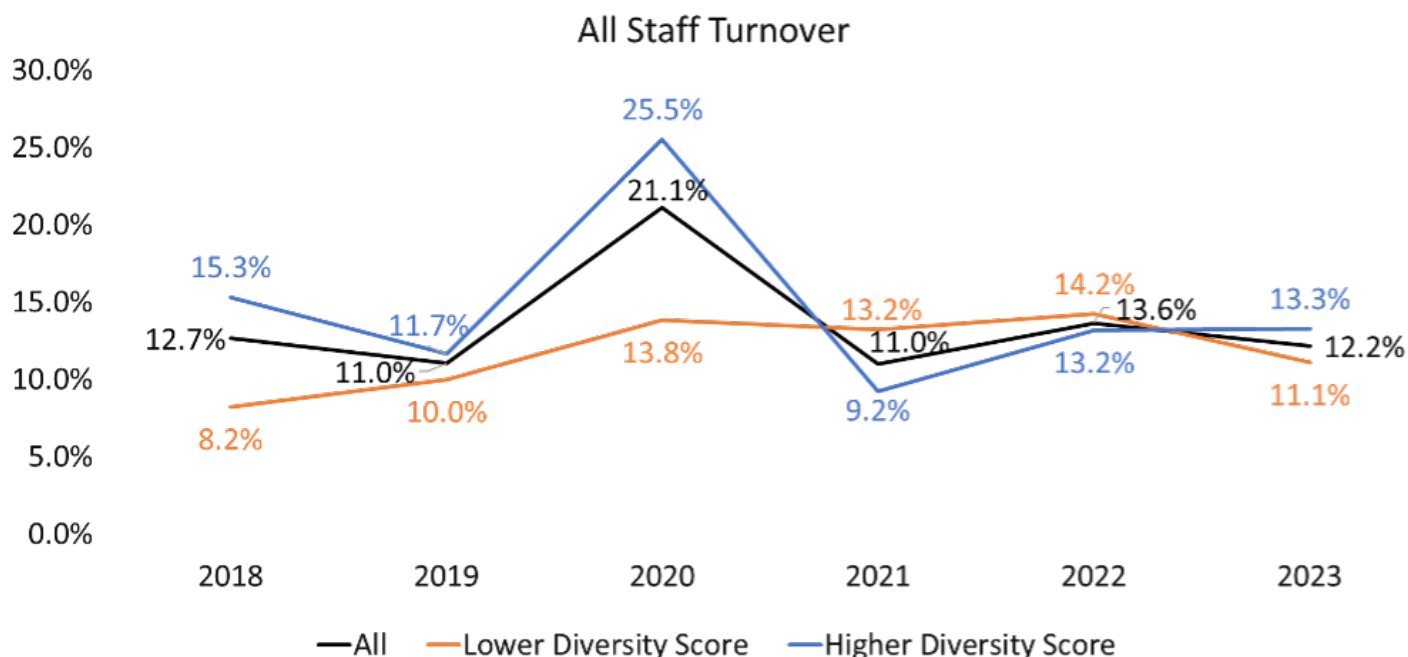
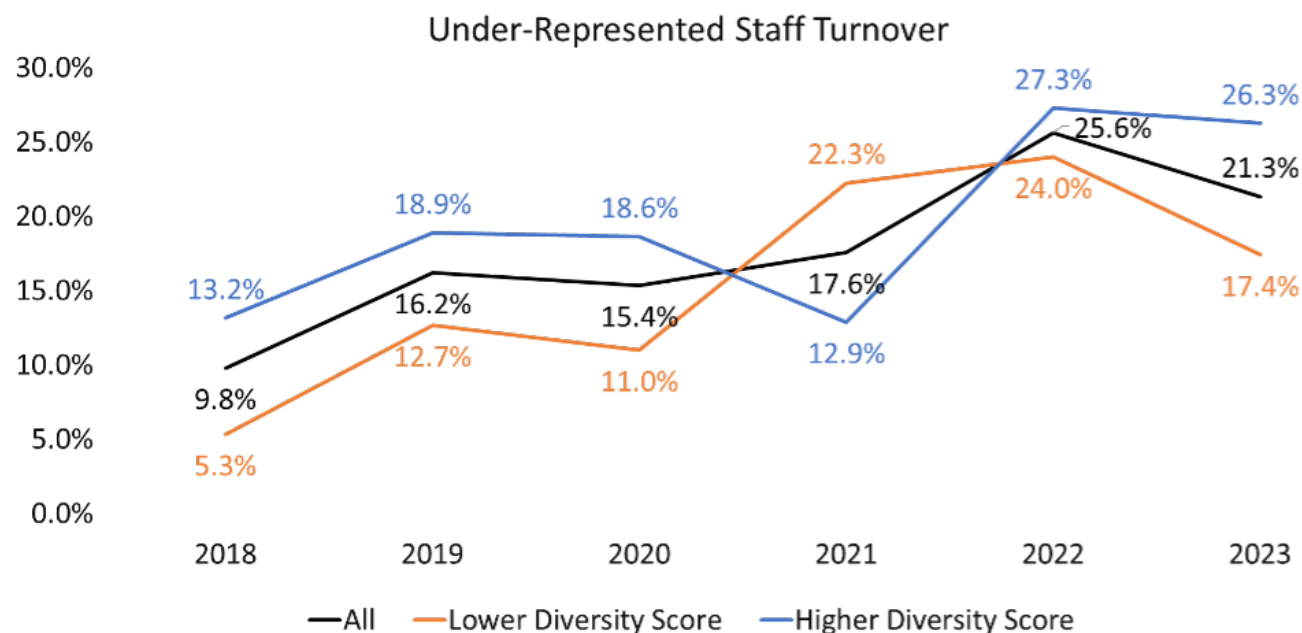


Figure 7: Under-Represented Staff Turnover



It is also worth noting that in the 2024 Q2 ACEC Research Institute Engineering Business Sentiment Survey, larger firms reported a turnover rate that was 66% higher in the preceding 12 months compared to smaller firms. In addition, preliminary data from the 2023 Diversity Roadmap (not yet published) reveal smaller firms have a lower turnover rate than larger firms. It is possible the turnover rate data in this case study is being affected by firm size more so than by DEI&B efforts.

It appears the people impact of DEI&B programs, in terms of turnover, may not be as clear a correlation as

the financial impact. Again, this is a small number of firms represented by these case studies and a larger scale study needs to be conducted to determine if these trends hold.



### Conclusion

Despite the current political climate, the business case for cultivating diverse, safe, equitable, and inclusive workplaces is clear and growing. As this case study demonstrates, engineering and design services firms experience positive impacts on the financial and social well-being of their firms, employees, clients, and communities in the following ways:

1. Increasing diversity at firms brings in a wide variety of experiences and perspectives that lead to stronger collaboration, problem-solving, and ultimately better projects for clients.
2. Employees who feel safe, valued, and empowered enjoy coming to work, are more engaged, have higher job satisfaction, and are more productive. These positive and highly-engaged workplaces increase workforce retention, attract highly-qualified talent, and lower expensive turnover rates.
3. Clients, especially those in the public sector working in disadvantaged communities, want to work with engineering firms and project teams that represent their identities and understand their needs. Having diverse staff makes firms more attractive and competitive for project pursuits.
4. Perceived and real financial and non-financial benefits to the firm.

Ultimately, when firms support their employees and cultivate strong and inclusive workplace communities, it's not just good for their employees but for their firms as a whole.

## References

ACEC Research Institute. (2023, November). Diversity Roadmap. <https://www.acec.org/resource/acec-research-institute-releases-first-ever-diversity-roadmap/>

ACEC Research Institute. (2024, May). Engineering Business Sentiment Survey – 2024 Q2. <https://www.acec.org/resource/engineering-business-sentiment-2024-q2/>

McKinsey & Company. (2023, December 5). Diversity matters even more: The case for holistic impact <https://www.mckinsey.com/featured-insights/diversity-and-inclusion/diversity-matters-even-more-the-case-for-holistic-impact#/>

