



Fostering Belonging at FireCraft: The Business Case for the Interfaith ERG

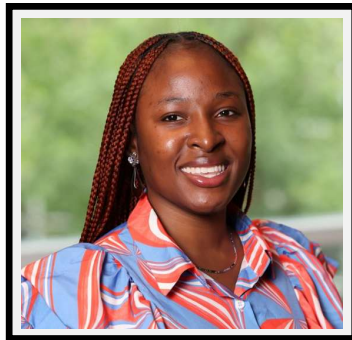
How investing in belonging enhances profitability, retention, and innovation.

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Outline

01

The Executive Summary

02

The Challenge - The Value of ERG Resources

03

The Impact of ERG

04

The Risks - What Happens if We Cut Funding?

05

The Path Forward - Practical Recommendations

FireCraft has established itself as a market leader, but now finds itself facing lower-than-expected returns.



Leader in the **tech-driven home pizza kitchenware** market.



Annual revenue of **\$300M** with a workforce of **700 employees**.



Provider of versatile, high-performance cooking solutions for **pizza enthusiasts and small pizzerias**.



Value-driven organization; ERGs align employees with the company's core values.

Current Challenges

Post-pandemic shift in customer preferences impacting product demand

Lower-than-expected profitability

Key Dilemma

Identification of **cost-cutting measures** to address profitability challenges

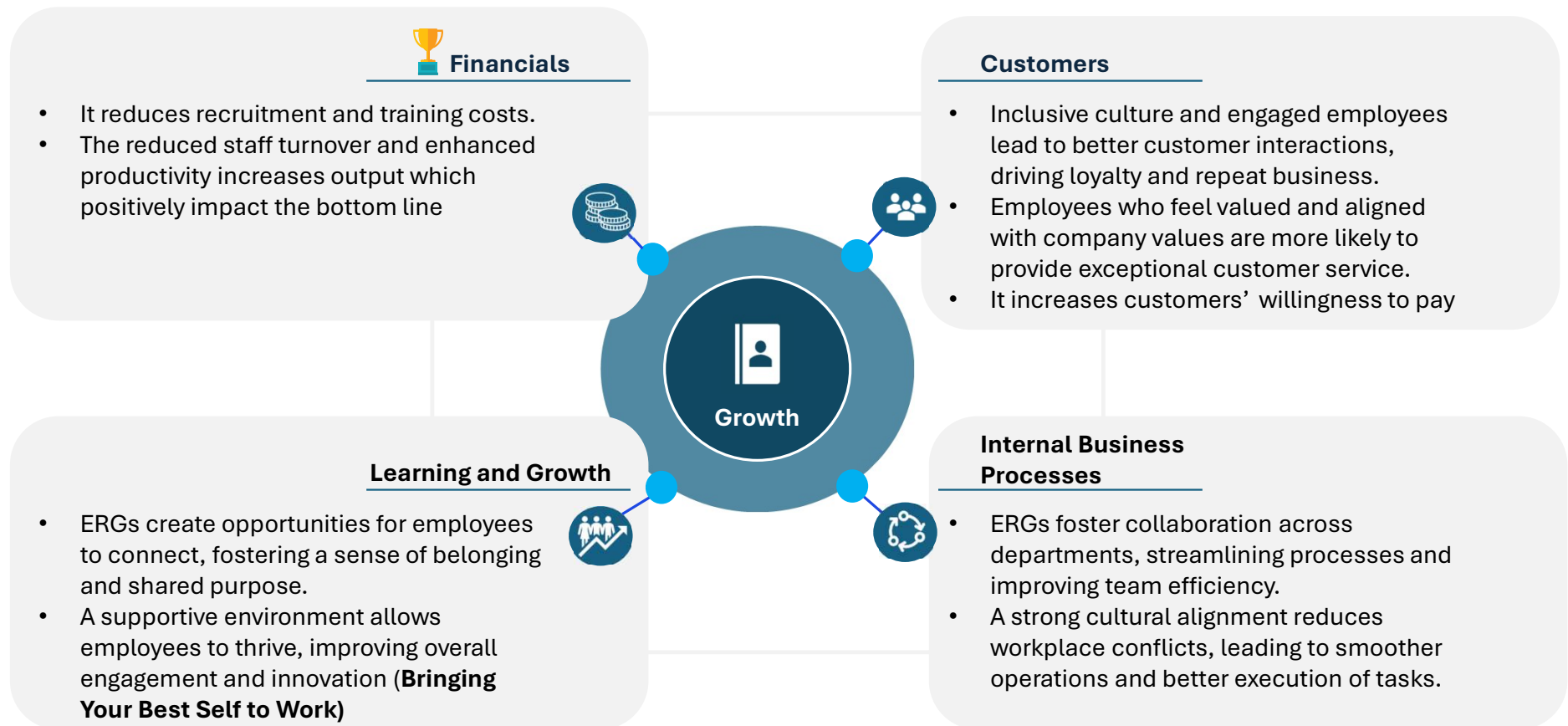
Stakeholders are divided: Should FireCraft continue investing in **ERG interventions** as a strategic priority?

Cutting the ERG would save pennies, but risk costing FireCraft in retention and productivity.



- ✓ The ERG cost has a minimal impact on profitability.
- ✓ It has indirect impact to profitability through improved employee engagement, reduced attrition, and enhanced workplace culture
- ✓ It has compounding effects on long-term business success.

The balanced scorecard framework shows the impact of financial and non-financial metrics on a company's growth and profitability.



Global ERG initiatives have been shown to deliver direct and indirect outcomes that ultimately impact the bottom-line.



Higher Retention

McKinsey reports that companies with inclusive cultures (including ERGs) see a 47% increase in employee retention compared to those without.



Savings in Hiring Costs

A study by **Harvard Business Review** shows that turnover costs average \$15,000 per lost employee, meaning ERGs save companies millions annually in hiring & training costs.



Increased Productivity

HBR in their 2019 report on Workplace Belonging found that employees who participate in ERGs are 3.2x more likely to feel engaged at work, leading to higher productivity, generating 21% more profitability for their companies.



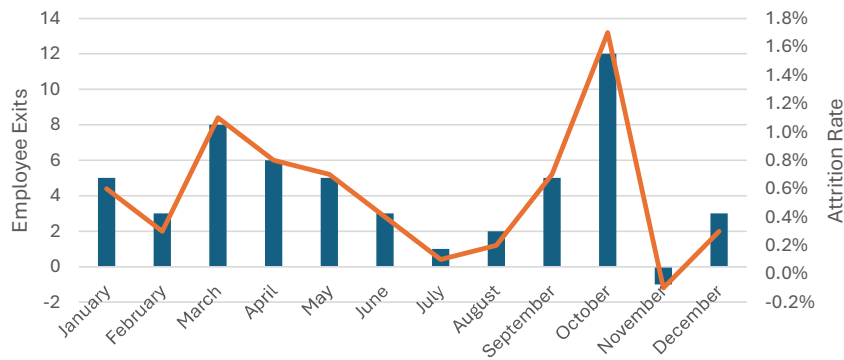
Company Attractiveness

Data by **Glassdoor** showed that 76% of job seekers say a company's ERG efforts impact their decision to apply. Companies with strong ERGs attract higher-quality, mission-driven talent, reducing hiring costs.

- **Belonging isn't just a feel-good metric—it's a driver of financial performance.** Companies that actively foster culture and inclusion (through ERGs, employee engagement programs, and clear values) see lower turnover, higher productivity, and increased revenue.
- FireCraft's low turnover and positive ERG engagement suggest a financial upside. Cutting the Interfaith ERG without a replacement could negatively impact performance.

Retention Is Profitable: Lower Attrition Drives Significant Cost Reductions

Employee Turnover Rates for 2024

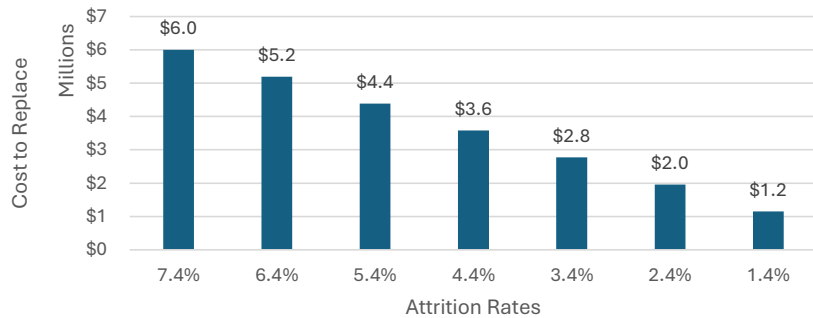


For every 1% decrease in attrition.



13% reduction in replacement costs. ~\$800,000

How 1% Reductions in Base-Year Attrition Affect Employee Replacement Costs



For a 1% reduction in attrition...

Cost Reduction



ERG Investment



Financial Benefit



Assumptions: 1x multiple, avg salary of \$115,000, 700 employees

Source: Gallup / Exhibits 1, 2, & 4

Short-term savings, far-reaching consequences: the business risks of eliminating ERGs

Immediate Risks



Employee Morale:

Decline in employee morale and engagement, thereby reducing their productivity and potentially revenue.



Low Trust:

Potential negative perception among current employees, leading to low employee trust in the leadership of the organization.

Long-term Risks



Turnover Costs:

Increased turnover costs due to employee dissatisfaction could impact internal processes, customer satisfaction and ultimately revenue.



Loss of Competitive Edge:

Loss of competitive edge in talent acquisition thereby impacting organizational performance, client satisfaction and bottom line.



Poor Market Reputation:

Cultural degradation could occur, affecting FireCraft's market reputation.

Introducing the “4B Initiative”: Breaking Bread, Building Belonging

Rebrand to ‘Belonging & Breaking Bread Initiative’ to Drive Engagement

- Shift away from “DEI” and “ERG” terms bearing in mind the current socio-political environment.
- Appoint senior executive sponsors to reinforce top-down support.

Expand Impact to Increase Participation

- Shift focus – expand to leadership development & mentorship opportunities.
- Launch “Belonging Roundtables” where senior leaders and members discuss workplace culture.

Leverage Data for Decision Making

- Develop an automated KPI tracking system to showcase impacts on retention, engagement, and performance.
- Test & adjust quarterly based on employee feedback.

Scale Through High-Impact Expansion Initiatives

- Cross-departmental belonging activities.
- “Breaking Bread in the Community Initiative”

Firecraft's phased approach: scaling belonging for long-term business impact.

Phase 1 (3 Months)

- Rebrand the ERG into the “Belonging Initiative”.
- Launch small-scale belonging initiatives.
- Collect baseline engagement and retention data.

Phase 3 (1+ Year)

- Embed “Belonging” into FireCraft’s culture & HR practices.
- Expand the initiative beyond FireCraft by building external partnerships.
- Use Belonging data as a long-term business metric.

Phase 2 (6 Months)

- Expand programming with career-focused initiatives
- Increase cross-departmental collaboration to integrate belonging
- Scale data tracking efforts

Measuring what matters: ERG KPIs that prove business impact.

KPI's



Leadership Buy In

- # of executive leaders participating in program
- Scores from survey of how supported employees feel from their seniors by this initiative



Membership & Engagement-

- Number of employees joining ERGs
- Attendance and participation



Operational Impact

- % of sick days taken from ERG members vs non ERG members
- Attrition rate for ERG members vs non ERG members
- Productivity levels of ERG members vs non members



Employee Satisfaction

- Scores from surveys measuring belonging, inclusion, and satisfaction



Recruitment Impact

- Survey ratings from new hires of how important ERG was in their decision to join

Additional recommendations

IDENTIFY MAJOR COST DRIVERS

Conduct a cost breakdown analysis with historical financial data and categorize costs into major areas: fixed costs, variable costs, operational costs, administrative costs, etc.

STREAMLINE COSTS

Through negotiation of better supplier contracts, improved production efficiency and optimized marketing strategies

IDENTIFY HIGH-IMPACT AREAS

Use financial ratios like: Cost of Goods Sold (COGS), operating expense, & profit margin analysis.

EXPLORE NEW ERG OPPORTUNITIES

Introduce cost-effective ERG initiatives through

- Co-Sponsoring: Partner with external organizations to co-sponsor initiatives, reducing the financial burden.
- Chaplaincy: Implement chaplain programs similar to Tyson Foods.

Conclusion

- 1 Eliminating ERGs does not generate meaningful financial returns.
- 2 A revenue-driven strategy focused on other cost-cutting measures, strategic marketing and creative ERG initiatives will ensure FireCraft's long-term success while maintaining a commitment to their values.
- 3 "Doing the right thing pays off". Not only is the ERG program the right thing to do, but it also has clear financial benefits.



Thank You!



Questions



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Exhibit 1: Finding attrition costs by using Gallup data for cost multiples.

| | | | | |
|-------------------------|-----------------|----------------|-----------------|--------|
| Average Employee Salary | | \$115,339 | | |
| Multiple | Cost to Replace | Attrition Cost | 1% Decrease | Change |
| 0.5 | \$57,669.69 | \$2,998,824 | \$2,595,135.94 | 13% |
| 0.75 | \$86,504.53 | \$4,498,236 | \$3,892,703.91 | 13% |
| 1 | \$115,339.38 | \$5,997,648 | \$5,190,271.88 | 13% |
| 1.25 | \$144,174.22 | \$7,497,059 | \$6,487,839.84 | 13% |
| 1.5 | \$173,009.06 | \$8,996,471 | \$7,785,407.81 | 13% |
| 1.75 | \$201,843.91 | \$10,495,883 | \$9,082,975.78 | 13% |
| 2 | \$230,678.75 | \$11,995,295 | \$10,380,543.75 | 13% |

Exhibit 2: Calculating Turnover

| Turnover for 2024 | | | | |
|--------------------------|-----------|-----------------|-------------------------|--|
| Month | Attrition | Employee Exits* | | |
| January | 0.6% | 5 | | |
| February | 0.3% | 3 | | |
| March | 1.1% | 8 | | |
| April | 0.8% | 6 | | |
| May | 0.7% | 5 | | |
| June | 0.4% | 3 | | |
| July | 0.1% | 1 | | |
| August | 0.2% | 2 | | |
| September | 0.7% | 5 | | |
| October | 1.7% | 12 | | |
| November | -0.1% | -1 | | |
| December | 0.3% | 3 | | |
| | | 52 | Total Exits 2024 | |
| | | 7.4% | Attrition Rate for 2024 | |
| | | 45 | 1% Less (6.4%) | |
| *Assuming 700 employees. | | | | |

Exhibit 3: Calculating Salaries and Opportunity Costs

| Department | % of Firm | Dept. Emp. | Avg Salary | % of ERG | ERG Emp | Total Salary | Hourly | Emp Hourly | Productivity Lost | |
|------------|-----------|------------|------------|----------|---------|----------------|------------|------------|-------------------|---------|
| S&M | 32.57% | 228 | \$74,754 | 7% | 16 | \$17,043,912 | \$8,194.19 | \$573.59 | \$14,913.42 | |
| Ops | 8.68% | 61 | \$107,660 | 8% | 5 | \$6,567,260 | \$3,157.34 | \$252.59 | \$6,567.26 | |
| IT | 12.23% | 86 | \$152,514 | 5% | 5 | \$13,116,204 | \$6,305.87 | \$315.29 | \$8,197.63 | |
| R&D | 12.38% | 87 | \$116,044 | 14% | 13 | \$10,095,828 | \$4,853.76 | \$679.53 | \$17,667.70 | |
| Support | 12.23% | 86 | \$89,773 | 21% | 19 | \$7,720,478 | \$3,711.77 | \$779.47 | \$20,266.25 | |
| Exec | 4.41% | 31 | \$304,075 | 19% | 6 | \$9,426,325 | \$4,531.89 | \$861.06 | \$22,387.52 | |
| Logistics | 6.26% | 44 | \$127,109 | 14% | 7 | \$5,592,796 | \$2,688.84 | \$376.44 | \$9,787.39 | |
| Finance | 6.69% | 47 | \$145,116 | 0% | 0 | \$6,820,452 | \$3,279.06 | \$0.00 | \$0.00 | |
| HR | 4.55% | 32 | \$109,745 | 6% | 2 | \$3,511,840 | \$1,688.38 | \$101.30 | \$2,633.88 | |
| | 100.00% | 702 | \$115,339 | 10% | 73 | \$79,895,095 | | | \$102,421.06 | Total |
| | | | | | | \$1,094,453.36 | | | | Average |
| Employees | 700 | | | | | | | | | |

Exhibit 4: Costs of replacing employees at 1% decreasing intervals from the base rate.

| Attrition | Exits | Cost to Replace |
|-----------|-------|-----------------|
| 7.4% | 52 | \$5,997,648 |
| 6.4% | 45 | \$5,190,272 |
| 5.4% | 38 | \$4,382,896 |
| 4.4% | 31 | \$3,575,521 |
| 3.4% | 24 | \$2,768,145 |
| 2.4% | 17 | \$1,960,769 |
| 1.4% | 10 | \$1,153,394 |