

Chapter 15

Research and Measurement

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Diversity and inclusion initiatives are business initiatives that must be managed in the same way that an organization manages any other business initiative. Effective strategic business planning, executive sponsorship, communication, change management, project management, day-to-day execution, and measurement all are regarded as business fundamentals for most functional areas in an organization. They are givens when it comes to product development, supply-chain management, manufacturing, and so forth.

When it comes to diversity and inclusion, organizations often regard business fundamentals as optional. The reality is that most organizations are only beginning to apply rigorous discipline to their people programs, including their diversity and inclusion initiatives. This is especially true when it comes to measurement, and the void is compounded by the fact that many organizations are unsure of how to measure diversity and inclusion results.

An organization's ability to assess its current state and measure progress is a business basic. In order for senior leaders to fully champion diversity and inclusion, they must be able to view the diversity and inclusion imperative through the familiar lens of the business fundamentals.

In this chapter, we will explore the following questions:

- Why should organizations measure the impact of diversity and inclusion?
- Why isn't measurement standard operating procedure?
- What are the main priorities in measurement?
- How can organizations establish the business case for diversity and inclusion through measurement?
- What are some current trends, opportunities, and best practices in measurement?

The Measurement Journey

This chapter will explore what it takes for an organization to have a strong measurement component of its diversity and inclusion initiative. First, we look at the benefits—what’s in it for the organization that gets diversity and inclusion measurement right. We then will narrow our focus to a set of logical diversity and inclusion measurement priorities. We examine why these measurement priorities are valuable primarily when they help demonstrate a return on diversity and inclusion investments. We will describe some cornerstone Best practices for measurement, and finally, we’ll highlight some trends and opportunities. Along the way, we will begin to realize that every organization already has valuable starting-point data with which to start the measurement journey.

Benefits of Measurement: Why Measure?

Best-practice companies regularly measure the health of the organization with respect to well-articulated success criteria. They live the adage that what gets measured gets done. Indeed, measurement has value in several general situations:

- When an organization simply wants to do due diligence in prioritizing and managing its human capital initiatives before and/or after the fact to strengthen the business case and better define success, by objectively assessing the impact of initiatives or quantify the impact in order to secure program sponsorship, doing so in language that is more meaningful to sponsors.
- When an organization wants to understand the relative costs and benefits of a variety of interventions—e.g., instructor-led vs. online training, communications training vs. project management training, whether or not to conduct a needs assessment before a training initiative, etc.
- When an organization recognizes there are tangible costs of inaction. The costs of taking action often are very tangible (e.g., vendor training costs). The benefits of taking action can seem intangible or difficult to measure, but do need to be measured.

There are multiple ways that a robust capability in diversity measurement helps an organization to move forward:

- To identify business needs, priorities, and opportunities
- To determine how to address business priorities
- To establish clear performance goals for teams and individuals
- To evaluate progress versus plans
- To isolate issues requiring special attention
- To assess and foster organizational capacity to recruit diverse talent

- To assess and foster organizational capacity to achieve engagement through inclusive management practices
- To meet legal requirements

What an organization inevitably wants to determine is whether or not its diversity and inclusion efforts are effective and why. This raises the subject of maximizing the return on an organization's investment in (a) pursuing broad diversity in its workforce and (b) inclusively managing the organization so that everyone is engaged in the work at hand. We will look at return on investment (ROI) more closely later on.

Why Isn't Measurement a Standard Operating Procedure?

If the benefits of measurement are so numerous and compelling, why is it that so many companies struggle with diversity and inclusion measurement, or avoid the topic altogether unless it is a matter of legal compliance? The answer to this question seems to be that diversity and inclusion practitioners feel distinctly less competent in this area than in other less-quantitative aspects of their work. Measurement typically is not an area in which they have been trained, and there is no extensive body of work to support a diversity and inclusion measurement effort.

The discomfort is not surprising. After all, even the most senior corporate executives overseeing multiple functional areas receive scant measurement training unless they are in or from the Finance function. The discomfort felt by diversity and inclusion practitioners reflects a general reluctance to measure the impact of people initiatives, as well as sporadic implementation of metrics elsewhere in the business. This is compounded by the fact that many diversity and inclusion departments are skeleton crews that decide they cannot spare the resources to make measurement one of their standard operating procedures.

By demystifying the practice of measurement, we can begin to find that building or strengthening a measurement practice is an essential, attainable diversity and inclusion goal. We demystify the practice by exploring the basics—return on investment first, and then a handful of keys to the success of best-practice companies.

Measurement Priorities

Desired business outcomes must determine an organization's measurement priorities. In examining the connection between business priorities and diversity-related measurement priorities, it is best to start at the top, with the organization's overall strategic plan. A logical sequence of questions emerges:

- At the highest level, what is the organization seeking to accomplish?
- What are the critical success factors?

- How do diversity, inclusion, and engagement affect the success factors? What do diversity, inclusion, and engagement have to do with achieving the critical successes that will lead to the organization's overall success?
- What specifically will diversity, inclusion, and engagement success look like?
- Where does the organization stand with all of this currently? What is the current state? What is working or not working? Why? What data do we already have? What additional data do we need to collect?
- Given where the organization is currently, where does it need to go next? What behaviors must change? In other words, what now needs to happen with respect to diversity, inclusion, and engagement, so that the organization's overarching critical success factors are achieved?
- What actions must be taken to achieve the desired results? What are the tactics for moving from the current state to the desired future state?
- What data will tell us if the required changes are happening, including behavior changes? What data will tell us if the changes are having the intended impact?

Once an organization completes this self-examination, several topic areas typically become priorities for measurement:

- 1. Inclusion, Engagement, Productivity** Assessing the general climate with respect to full inclusion of all employees in the life of the organization; assessing the emotional connection employees have to the organization, which influences their willingness to demonstrate consistently high levels of contribution and commitment; assessing employees' perceptions of diversity and inclusion; and assessing how all of this ties to productivity.
- 2. Recruitment** Enabling recruiters and managers to develop and implement effective strategies for attracting and hiring a diverse workforce.
- 3. Retention** Enabling managers and other leaders to evaluate specific strategies for retaining high performers.
- 4. Development and Advancement** Assessing the effectiveness of learning and development efforts; determining which specific initiatives do the best job of effecting sustainable behavior change and building capability in areas that are aligned with the organization's long-term direction; ensuring that all employees have access to job assignments and advancement opportunities that require them to use the capabilities they develop. Measurement drives accountability; accountability drives behavior change.
- 5. Market Impact** Determining how inclusive management practices impact sales, market share, or underlying cost structures. The impact of teamwork between Employee Resource Groups and Sales is one of the more prominent components of this.

- 6. Compliance** Managing the organization to the standards established in Affirmative Action Plans, Equal Employment Opportunity guidelines, supplier diversity guidelines, etc.

There is overlap in these priorities, but these are six general buckets into which measurement efforts tend to fall. In a sense, though, measurement is always about understanding and maximizing ROI—empowering senior leaders with concrete evidence about how diversity and inclusion initiatives do and do not drive organizational performance and bottom-line financial results.

The Business Case: ROI

Return on investment (ROI) remains more art than science in many of even the most functional areas. Nowhere is this more true than when it comes to how organizations manage their people practices, including their strategies for pursuing diversity and managing it inclusively.

Nonetheless, best-practice companies increasingly look for ways to quantify the return on their talent development, making better use of quantitative and qualitative data they already have and being more intentional when they seek additional data. Diversity and inclusion functions that do an outstanding job of articulating and demonstrating ROI will have an edge. A complete approach for examining ROI includes the following steps:

- Methodically answering the “Measurement Priorities” questions listed above
- Quantifying what is most easily quantifiable (e.g., turnover costs)
- Raising senior leader awareness of other clear impacts that are more difficult to quantify; using benchmarks provided by external subject matter experts to gauge the magnitude of the bottom-line impact
- Acknowledging the difficulty of proving cause and effect for diversity and inclusion initiatives, while demonstrating strong correlation
- Evaluating diversity and inclusion efforts with the same ROI standards used elsewhere in the organization whenever possible; do not hold diversity and inclusion to a higher standard, recognizing that investments in other areas are regularly and comfortably approved without comprehensive ROI analysis

In their calculations of ROI, best-practice companies seek to measure a wide range of impacts:

- Market Impacts
 - › Sales

- › Customer satisfaction
- › Market share
- › Geographic reach
- › Reputational capital
- › Economies of scale/cost structure
- Workforce Impacts
 - › Recruitment
 - › Attrition/retention/turnover/replacement
 - › Unexcused absences
 - › Safety incidents
 - › Discretionary effort
 - › Innovation

In the final analysis, it is the market impacts that need to be central to the ROI analysis because these are the ultimate evidence of whether or not a company or organization is fulfilling its stated mission.

Best Practices in Measurement

The following is an overview of four measurement best practices for diversity and inclusion practitioners, some of which have been mentioned here already. This is not a comprehensive recipe for everything one needs to know or do about measurement; instead, these best practice provide a foundation that can keep measurement efforts on track and ensure that they support the organization's work as much as possible, even when other priorities or simple lack of experience stands in the way of a conscientious measurement effort.

Link Diversity and Inclusion Metrics to Business Outcomes

In 2009, Novations and Linkage revisited and duplicated their 1998 examination of how the field of diversity and inclusion is evolving. The 2009 study included scores of companies of all sizes and across many industries. By far, the principal measurement challenge most often cited was the need to link metrics to business outcomes. This is the core practice from which all else flows.

In particular, diversity and inclusion metrics must be driven by the organization's highest-level goals. In order to have real value, diversity and inclusion initiatives must deliver progress in ways that are aligned with the organization's overall success. High-level goals will relate

to the market impacts listed earlier—sales, customer satisfaction, market share, and other impacts directly having to do with growing the business.

Workforce impacts are secondary, relevant because they lead to these market impacts. In general, recruitment measures, turnover measures, engagement measures, and so forth ultimately are important only if inclusively managing recruitment, representation, and/or engagement translates into better bottom-line performance for the organization as a whole, as defined by a documented strategic plan.

Ensuring that metrics are tied to business outcomes gives executive sponsors a reason to care deeply about diversity and inclusion success. It can bring clarity to a company's goals and desired outcomes, too. It's one thing to try to grow sales across the board 10% next year; it's another matter to realize that sales can grow by 10% overall only if the company figures out how to grow by 20%, 30%, or 40% in underserved markets.

The “Measurement Priorities” questions discussed earlier offer a straightforward, disciplined path for linking diversity and inclusion metrics to business outcomes. In examining these linkages, concepts such as the service-profit chain can help to illustrate how people results bring about business results. For example, the service-profit chain shows the chain of cause and effect that leads from employee engagement and internal issues to profitability, growth, and return on investment.

Leverage the Power of Engagement

Best-practice companies are aggressive and creative in measuring engagement:

- Senior executives, managers, and other leaders join the diversity and inclusion function in championing engagement measures as critical business measures. They view engagement as one of the major levers they can affect to achieve market impacts that grow the business. They know that executing the business plan boils down to engaging everyone to do their best work.
- In measuring engagement, they employ a wide lens. That is, they have a broad view of what can lead to engagement, and their metrics track representation in recruitment, retention, and advancement. However, they also tend to look at underlying determinants of engagement, which lead representation to be what it is. They measure the effectiveness of communication at all levels, performance management and feedback mechanisms, development support, the job assignment process, other business processes, and infrastructure.
- They carefully design quantitative engagement surveys to ask about obvious and non-obvious engagement factors, but they also make the connection between engagement and other indicators of organizational effectiveness—qualitative measures such as focus groups and interview results, 360 feedback, even simple process measures (e.g., Do 100% of employees have a development plan?).

- They methodically measure the relative importance to their organization of the various factors that bring about engagement, so that solutions are targeted accordingly. When necessary, they hire experts to analyze the data properly. The experts identify causation where possible or strong correlation between specific environmental factors and engagement, and they put the results in language that non-experts understand.
- They specifically measure employee engagement with respect to diversity and inclusion. Are employees at all levels responding to the business imperative out of a commitment to compliance, because they identify with leaders who are championing diversity and inclusion, or because they personally recognize the business imperative and have internalized it?

Insist on Accountability

In implementing their diversity and inclusion measurement practices, best-practice companies set themselves up for accountability:

- Whenever possible, they collect baseline and/or external benchmark data (e.g. best-in-class companies) before they begin a diversity and inclusion initiative. This gives them a standard for comparison. In some instances, they may be able to establish an internal control group as their basis for comparison.
- As early as possible, they spell out a vision for how to effectively present data—for example, taking the time up front to design a diversity scorecard where they have not had one previously (see “Trends & Opportunities”).
- Whenever possible, they set expectations early about how measurement results will be used to hold employees accountable. In a timely manner, they build a user-friendly infrastructure that gives visibility to metrics and makes individual and team performance standards clear. They position measurement success as being inseparable from performance incentives such as individual compensation, an employee resource group’s budget, or a marketing department’s advertising budget.
- They integrate diversity and inclusion metrics with other key metrics, for example, by including key diversity scorecard measures on their management dashboard.

Best-practice companies also take action after they have measured and obtained data:

- They follow through in using the mechanisms described above.
- They conduct post-implementation surveys using the Kirkpatrick evaluation model, which evaluates four levels of learning (reaction, knowledge, behavior change, business impact).
- They use the data, actively supporting behavioral change and process improvements where they are needed, pursuing root-cause analysis until effective solutions are defined.

Embrace Measurement Basics

At best-practice companies, diversity and inclusion practitioners may or may not have extensive background in measurement. However, as a minimum, one or more champions will have enough awareness of and sensitivity to measurement basics to be able to make use of expert advice when the experts speak in language that non-experts can understand. Relying on the assistance of experts whenever necessary, they are able to draw sound measurement conclusions, make decisions that are supported by data, and avoid common measurement pitfalls.

In addition to the best practices already covered, here are some topics for which a little knowledge can go a long way:

- Assessment as the objective, measurement as the tool to support the objective, having a measurement component of any diversity and inclusion initiative—measurement (quantitative or qualitative) is simply an organization’s tool for figuring out where it stands and where it needs to go
- Quantitative measurement instruments and understanding of when one tool or another is more effective
 - › Surveys – climate, engagement, customer satisfaction, training effectiveness, communications effectiveness, philanthropic impact, reputational capital
 - › Performance measurement systems
 - › 360-degree feedback
- Qualitative measurement instruments and understanding of when one tool or another is more effective
 - › Interviews
 - › Focus groups
 - › Direct observation
- Striking a balance between quantitative and qualitative tools
- Simple statistical measures (e.g., mean, median, standard deviation) – awareness, but not necessarily the ability to actually do the statistical analysis.
- Data interpretation
 - › Root-cause analysis
 - › Willingness to engage in discussion with experts about how to interpret data, including results based on statistical measures of moderate complexity
- Awareness of which measures are the most important measures in the eyes of senior leaders.
- Emphasis on results

- › Kirkpatrick scale
- › Measuring behavior change
- › Measuring sustained change
- › Process measures vs. results measures

It need not be a major undertaking to acquire this basic knowledge. Much of the statistical analysis undertaken in the business world is far closer to arithmetic in complexity than to calculus or even high-school algebra. Diversity and inclusion practitioners empower themselves tremendously by seeing measurement in this light and being willing to have the measurement conversation.

Move Beyond Representation

When looking at the numbers, best-practice companies are continuing to move further and further beyond representation goals originally based in compliance requirements. Of course, many companies began their diversity journeys with compliance because that is what was legally required and the business case for diversity had not been clarified. Compliance goals seldom are defined in terms that are closely aligned with an organization's highest-priority goals and measures. Naturally, representation goals have been achieved, but business results often have been disappointing nonetheless.

There has long been a revolving door for traditionally underrepresented groups at companies that pursued diversity in the absence of inclusive management practices. The revolving door still exists; ownership of retention and development goals remains ambiguous in many organizations. However, retention, development, engagement, and productivity goals are becoming more commonplace. Organizations are finding that it is by inclusively implementing the best management practices that substantive business goals are achieved.

Best Practices vs. Common Practice

These are best practices. They are not common practice. By patiently adopting these practices over time and deliberately moving to do it step by step, diversity and inclusion functions distinguish themselves internally and externally, commanding greater mindshare from senior leaders internally and, in terms of making an impact, moving ahead of the pack versus peers diversity and inclusion functions.

Trends and Opportunities

Related to the measurement best practices, several promising tactical trends have gained momentum in recent years and warrant greater attention. There also are some tactical opportunities that deserve special mention, including:

- **Partnering with product development, sales, and marketing** Perhaps evolving from fledgling efforts to look at ROI and increase the focus on overall business outcomes (Best Practice #1), companies are realizing now that a diverse workforce can indeed have a measurable impact on sales and profits. For example, more and more employee resource groups are being tapped to evaluate and propose new product ideas and new marketing campaigns. Companies are seeing results from these collaborations, especially consumer products and service sector companies. The collaborations are changing the vision of who the customer is, and also the process for finding out what the customer wants.
- **Diversity Scorecards** Organizations are establishing scorecards and other visible means of highlighting diversity and inclusion progress and opportunity. Some organizations have attempted to tie metrics to performance incentives, although diversity and inclusion measures typically remain a very small component of how performance is evaluated and compensation is determined.
- **Economic Climate** Companies that are maintaining or strengthening their diversity and inclusion efforts during the current economic downturn are doing so because they see this as a fertile time for diverse new ideas and new ways of attracting customers. In the present climate, such companies typically have incontrovertible measurement evidence to justify moving forward. Costs associated with undesirable turnover or other opportunity costs of not acting to promote inclusion are carrying the day. Where companies have not been able to document such evidence, almost invariably they are pulling back on their development of the talent pipeline, their succession planning, their budgets for employee resource groups, etc.
- **Broadening Diversity** Organizations define diversity more and more broadly. The measurement focus remains heavily on women and people of color. There has been worthwhile measurement focus on generational differences, and there has been some increased mindfulness of how diversity and inclusion are relevant topics for white males in the workplace, but many other forms of difference are under-examined (e.g. what it means to include and engage a working mother, someone who is differently abled, someone without the organization's traditional conflict-resolution style).
- **Return on Investment** There is increased discussion of how to measure ROI, but actually measuring ROI is still an elusive ideal for most organizations. They may measure turnover or engagement, but the measurement impact is greater when it is translated into an ROI, an estimate of shareholder valuation or some other traditional measure of financial impact.

Conclusion

In this chapter, we:

- Established the importance of measuring the impact of diversity and inclusion.
- Investigated ways to include measurement in standard operating procedure.
- Reviewed the main priorities in measurement.
- Discussed how organizations can establish the business case for diversity and inclusion through measurement.
- Analyzed current trends, opportunities, and best practices in measurement.

Every organization must move forward with measurement at its own pace. At the same time, it is very much within reach for organizations to apply measurement discipline to their diversity and inclusion work, to measure the business impact.

For some organizations, D&I measurement may start with one fundamental success measure for a single diversity and inclusion tactic—perhaps a training program, a mentoring program, or an employee resource group activity. Whenever the organization strengthens the link between its diversity and inclusion objectives and its overall business plan, progress is made.

Interested in learning more about how your company's D&I programs compare? Learn about Diversity Best Practices' new DBP Assessment & Benchmarking Tool at diversitybestpractices.com.