

Driving Diversity

Six key measurements for developing a D&I program that fosters business impact.

The importance of diversity and inclusion (D&I) has come to the forefront in recent years, with the labor market becoming increasingly competitive and large organizations making substantial investments to their programs. Diversity of all kinds—race, age, sexual orientation—has the power to bring a sought-after advantage to organizations looking to attract and retain today's best talent.

Human resource practitioners have understood the importance of D&I for some time. In fact, the 2015 HRO Today Services and Technology Association Staffing Metrics Report indicates that diversity is among the most common areas of measurement among talent industry practitioners.⁽¹⁾

And there's more evidence than ever that supports the business case for D&I. A 2015 study by McKinsey & Company finds that companies in the top quartile for gender or racial and ethnic diversity are more likely to have financial returns above their national industry medians. Companies in the bottom quartile in these dimensions are statistically less likely to achieve above-average returns⁽²⁾.

Measuring the impact of D&I will allow organizations to continue to

grow their programs and drive the bottom line. What's the best way to approach it? This is the central question addressed in a recent white paper, *Turn Diversity and Inclusion into a Talent Strength: A Six-Pack Strategy For Driving Measurable Improvements*, written by Peter Vermeulen, Head of HR Americas for The Linde Group, with commentary from Audra Jenkins, Senior Director, Diversity and Compliance, Randstad Sourceright.

The new white paper discusses the development of the dashboard for measuring D&I metrics, identified here as the D&I "six-pack." This is a practical set of metrics that ascertains an organization's diversity strength by identifying the six types of workforce data needed, as well as how to measure them.

The strength of the D&I six-pack is that it's systematic and complete, using clearly defined criteria with straight-forward identification of the optimal ways to measure them.

This approach, coupled with strong support about the need for diversity, is what HR leaders need to further the case to the C-suite for diversity and inclusion in their organizations.

Highlights from the white paper: "Turn Diversity and Inclusion into a Talent Strength: A Six-Pack Strategy For Driving Measurable Improvements" with commentary from Peter Vermeulen, Head of HR Americas, the Linde Group

Many companies have 30 to 50 or more different metrics that can touch on D&I. That means they do not need more ways to measure D&I; they need fewer. We focused on reducing that list and in the end arrived at six core measures. We call this framework the D&I "six-pack."

The D&I six-pack is clear and simple, and it can be developed into an analytics dashboard to quickly show results on one page. Familiar red-yellow-green status indicators highlight areas of general improvement, as well as more urgent areas of need.

In the right system, this dashboard enables users to click directly through to contributing analytical details. The advantage of this simplified approach is that it triggers the right conversation.

Rather than focus on what and why we're measuring, we can focus on what to do about the results and how to improve. This sets a path for improving diversity and reinforces leadership accountability.

The term "six-pack" is commonly associated with muscle-building and fitness. Likewise, the key D&I areas of measure can be treated as muscles. Improvement around each measure will have an effect on the others. Together, they contribute to diversity as an overall talent strength. The six-pack comprises five components that relate to the makeup of the workforce, and one that focuses on the experience of the "workplace."



1. Acquiring Talent (Workforce Data)

Simply counting the number of new hires that fit into different diverse groups is not enough. The challenge is to provide context. What is your target portion of new hires from a certain diverse group in a certain role? At what percentage should you be concerned that representation is too low? When does an issue become a priority?

The answers can come from benchmarking by industry, role and location. Establish the priorities and set goals, even if you begin with a single diverse group: gender, ethnicity or others. This can evolve over time.

Examples of measurement:

- Newly hired talent by diverse group at all levels of the organization
- Experienced hires vs. college recruiting
- Talent pipeline by diverse group
- Equal pay assessment
- Frequency: Monthly or quarterly

2. Developing and Advancing Talent (Workforce Data)

Look carefully at your established development programs. In our case, we began by tracking our organization's executive leadership program. The program requires energy and investment, so tracking diversity progress gave us the motivation and support for gauging performance.

We looked at diverse talent included in the program and focused on a three-year window. At a minimum, a participant in our program should advance (i.e., be targeted for a new role) within three years. That means on average, a third of candidates would move up each year. We could then track advancement of each diverse group against the progress of other groups.

Examples of measurement:

- Percentage of diverse high-potential employees (HIPOs) that are three or more years in the same role
- Percentage of diverse HIPOs that successfully completed leadership training and were promoted within three years
- Percentage of diverse employees advancing per year, compared across all groups
- Equal pay assessment
- Frequency: Quarterly or annually

3. Retaining Talent (Workforce Data)

Retention is closely influenced by the other measurements, most notably the previous measure of development and advancement, as well as the sixth measure, engagement. For context, begin by comparing your retention rate against the industry average. Then, identify problem areas and dig deeper into the contributing data.

Examples of measurement:

- Diverse talent turnover with root cause analysis
- Diverse talent "regrettable losses" (those who left even though the organization would prefer to retain them)
- A number of leading indicators can also apply here, including employee engagement survey results (see #6), cultural competence assessment and flight risk
- Predictive analytics
- Frequency: Quarterly

4. Representation (Workforce Data)

The representation of diverse groups within the employee population is a strategic measure that often informs goal-setting for the other metrics in the six-pack. For many organizations, this may serve as the beginning of the conversation, and improvements in representation are often mentioned in corporate annual reports. It's not difficult to achieve the metric itself. Equal Employment Opportunity (EEO) reporting in the U.S. already brings this measure to light in many cases.

Examples of measurement:

- Representation vs. availability in the market
- Frequency: Annually or semi-annually

5. Succession Planning Pipeline Strength (Workforce Data)

Succession planning is an important driver of diversity at higher levels in every organization. It is a direct predictor of what the talent mix may look like in senior roles in the future. A continuous and focused succession planning process is acknowledged as a best practice by most companies, yet it continues to present challenges. Chief among them is a need for an objective way to identify candidates for the pipeline.

Examples of measurement:

- Percentage of ready-now diverse workers in pipelines for critical roles
- Percentage of future-ready diverse workers in pipelines for critical roles
- Frequency: Annually or semi-annually

6. Engagement (Workforce Data)

The first five measures relate to the diversity aspect of the workforce. They ultimately reflect the talent coming through the door, whether that door is an entry into the organization or higher levels within the company. The engagement measure is different. It is aimed at measuring how well that talent is able to work once inside and addresses the inclusion factor. It is an extremely important yet more elusive metric to gauge.

Examples of measurement:

- Overall engagement index
- Engagement index for diverse groups
- Inclusion index
- Pulse checks
- Cultural competence assessment
- Frequency: Annually or periodic pulse checks

About the Authors:

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(1) "HRO Today Services and Technology Association Staffing Metrics Report," September, 2015.

(2) Vivian Hunt, Dennis Layton, and Sara Prince "Why Diversity Matters," McKinsey & Company, January 2015.