The ROI of D&I – Why Municipalities Must Measure Their Efforts in Equity, Diversity and Inclusion

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Like most organizations in Canada today, your municipality is probably struggling to keep up with changing demographics and ensure your staff and elected officials are more reflective of the population you serve.

Municipalities and other public sector organizations that aren't addressing these changing demographics may experience serious impacts, such as: a decreased ability to serve the diverse needs of their communities, potentially negative perceptions from an increasingly diverse public, or lower employee engagement and higher turnover rates among under-represented groups of employees. Most of us already understand these issues exist and there is growing pressure to address them.

How can municipalities ensure they are going beyond understanding the rationale for diversity to actually improving inclusion within their organizations?

Are your diversity efforts making your organization more inclusive?

These questions confound most Human Resources and Diversity and Inclusion (D&I) practitioners, and very few have the answers.

Measurement is Key

The ROI of D&I, a research report by the Canadian Institute of Diversity and Inclusion, examines diversity measurement practices in Canadian organizations.

While several reports have documented "best practices" in diversity management, and many organizations have implemented some of these, few organizations are actually measuring the *impact* of their diversity initiatives. In fact, surprisingly few organizations conduct even the most basic of measurements.

Our online survey received responses from 56 Canadian employers, representing a cross-section of sizes, geographies, and sectors, including government, health care, education, non-profit, and for-profit organizations.

Nearly Half of Employers Don't Collect Basic Demographic Data

Just over half of survey respondents (52.9%) had conducted an employee census or asked employees to self-identify based on specific diversity demographics. That means nearly half of organizations do not even have basic demographic data about their workforces.

Why does this matter?

Gathering employee demographic data is widely considered a *basic practice* and a *first step* for organizations dedicated to diversity and inclusion. If you don't understand who is in your organization, how can you develop a strategy that responds to the needs of your people?

Understanding the demographics in your organization is instrumental in identifying gaps in representation, and determining inclusion issues and barriers to advancement, so that you can set goals, establish appropriate programs and initiatives, and measure results.

Some municipalities have done this effectively and have seen great results from such an endeavor. They have an ability to compare their workforce to the Canada census data to determine if certain constituency groups are missing from the municipal staff. They can track representation, hiring, promotion, and turnover rates to determine if certain groups are experiencing fewer promotions or greater turnover. And they can cut employee survey results by group affiliation to determine if different constituencies are experiencing the workplace differently.

Diversity & Inclusion is a Strategic Priority in Our Organization. (Really?)

Nearly four-fifths of survey respondents (79.6%) indicated diversity is considered *a strategic initiative* in their organization.

However, less than one fifth (18.8%) of respondents indicated they measure the impact, efficacy or ROI (return on investment) of their diversity initiatives.

This is puzzling. How many other *strategic* initiatives does your organization *NOT* measure?

This rather contradictory finding was one of the most important insights from the survey.

Many organizations spend a great deal of resources and effort on diversity and inclusion initiatives. Why would three fifths of organizations NOT measure something they consider to be a strategic priority? How can they know whether their efforts are effective or making an impact?

Scorecard Use Leads to Greater Visibility Among Senior Leadership

Most organizations today use some standard metrics or balanced scorecard to measure performance of the goals and strategies that are important to the organization. However, less than 13% of respondents indicated that their organization

has a Diversity Scorecard. Of these, all indicated that having a Scorecard had raised the profile of their diversity initiatives among the organization's leadership. Furthermore, all respondents using Scorecards indicated it had become part of their organization's strategic reporting, and they could show year-over-year impacts on their diversity and inclusion goals.

Developing robust measures of an organization's diversity initiatives is an essential part of continuing to build inclusive organizations in Canada, as it's becoming increasingly difficult for many organizations to justify ongoing expenditures or use of resources.

Standard/Basic Measures of Inclusion:

- Representation of diverse/under-represented groups by job level
- Recruitment, promotion, and turnover statistics by demographic group
- Employee engagement scores by demographic group
- Diversity-related or inclusiveness questions on employee surveys
- Human rights, harassment, or discrimination complaints
- Participation in training on diversity, inclusiveness, equity and/or human rights
- Participation in Employee Resource/Networking Groups

Going Beyond Standard Measures

In addition to the standard measures of inclusion, leading organizations are monitoring inclusion by correlating many data points, i.e., employee survey data, performance management data, mean performance rating by demographic group, employees on flexible work arrangements, and others.

More advanced organizations are measuring diversity-related metrics in their external and internal pipelines. For example, they analyze recruiting efforts in diverse contexts and the conversion rate to employee. Or, they examine the demographics of their succession planning programs, to try to ensure that the next levels of promotions represent the available labour pool, and help the organization to achieve its representation goals.

Holding Leaders and Managers Accountable

A few of the leading organizations have tied diversity results to leaders' and managers' annual performance objectives. One Canadian bank and one accounting firm have incorporated diversity results into the performance reviews of those at the partner and executive levels. At another Canadian bank and a major provincial utility, diversity-related metrics are incorporated into the competencies of all people managers and certain roles that have an impact on diversity.

The leading practice was at a national telecommunications company, where everyone in the company has diversity and inclusion competencies included in their annual performance review. Diversity and integrity are tied to the company's values, and the

weighting of diversity and integrity measures on performance reviews is higher for those at director level and above.

What Makes a Scorecard Successful?

Top responses from our research:

- When it is owned by the most senior leaders of the company, when they are accountable for the results and hold their leadership teams accountable
- When leaders are involved in developing the scorecard
- When the scorecard results are meaningful and important to the business/organization's strategic goals
- When the organization is ready for the measures
- When a wide range of year-over-year data are available on all aspects of the employee experience throughout all levels of the organization
- When the leadership teams read and understand the scorecard regularly
- When leadership and managers understand how they can personally impact the results
- When it is communicated effectively and consistently
- When measures demonstrate efficacy and impact, not just list activities undertaken

Key Learnings From the Research

Hard metrics are important, but we need both qualitative and quantitative measures to tell the story of where the organization is on its diversity journey. Measures must always relate back to the strategies and key objectives of the organization.

It's not enough for the HR or D&I team to develop a Scorecard on their own. Diversity scorecards are most successful when they are developed with and owned by the senior leaders. Furthermore, regular review and consistent effective communication of the Scorecard results, and what they mean for the organization, are essential.

Organizations need to be ready for the measures. It can be challenging if you have not been measuring anything in the realm of diversity to suddenly start measuring. Phasing in these measures can help with acceptance by any detractors in your organization. Once people see the value of having the measures, resistance will fade.

Challenges can arise when introducing accountability for the measures too early. Measurement practices need to be firmly in place, and leaders and managers need to understand them and how they can personally impact them through their own management practices before they are held accountable. Most importantly, if measurement strategies are to be truly useful, they need to measure efficacy of the diversity programs and not simply be a list of activities, with no demonstration of how these impact the organization's inclusion goals.

The most important questions answered by diversity measurement and scorecards are: Are we making our organization more inclusive with our initiatives, and how do they impact the organization's overall strategic goals?

But We Can't Afford to Measure

On the contrary: you can't afford NOT to measure. Municipalities are feeling the sting of tightening budgets. What gets cut? Anything that cannot show value. You know diversity initiatives are important, but if you are not demonstrating their value, they could be fated for the chopping block. Measurement is key to showing you are actually making progress toward your goal of creating a more inclusive organization.

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