Canadian Institute of Diversity and Inclusion Institut canadien de la diversité et de l'inclusion





What Gets Measured Gets Done:

Measuring the Return on Investment of Diversity and Inclusion.

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With Peer Review by the Staff of the Canadian Institute of Diversity and Inclusion

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About the Canadian Institute of Diversity and Inclusion

The Canadian Institute of Diversity and Inclusion ("CIDI") is a national non-profit organization that is quickly becoming the trusted advisor for all issues related to Diversity and Inclusion, and Human Rights and Equity within Canada's workplaces.

Effectively managing Diversity and Inclusion ("D&I") is a strategic imperative for all Canadian employers. In many organizations, D&I and HR practitioners are responsible for achieving substantial performance goals as well as transforming their organizations into inclusive work environments; however, they are often under-resourced creating challenges in achieving their organization's strategy.

The CIDI helps employers, business leaders, human resources ("HR") and D&I practitioners effectively address the full picture of diversity within the workplace by providing innovative and proven strategies, research, tools, and educational supports with the goal of helping improve the overall inclusivity of the Canadian workforce.

The CIDI's seven key areas of focus include the following:

- Supporting our Members (individual members and Employer Partners) on their D&I journey. This is done through our monthly webinars and Community of Practice events (held quarterly in major cities across Canada), providing engaging, productive networking and promising practice sharing where business, HR and D&I professionals come together to share and learn.
- Community Connector. Bringing together diversity-related NGO's and non-profit organizations to share information and learn from one another. This also involves developing and maintaining a central database of community organizations to assist employers in better navigating this space.

- » Education. Providing employers with a library of practical, effective learning solutions for leaders, management teams, Diversity Councils, ERG leaders, HR and D&I professionals, and all people.
- » Knowledge Repository. A centralized online library of D&I research, data, and promising practice information, with a specific focus on Canada.
- » Think Tank. Cutting-edge exclusive research that will contribute to the Canadian conversation on diversity and inclusion.
- » Legislative Support. Providing practical experience to help employers with compliance related to current and future D&I related legislation (Employment Equity Act, AODA, etc.).
- » Consultancy. Practical, credible, and sustainable consulting services specific to D&I in Canada, provided by a team of subject matter experts with decades of experience delivering D&I work inside organizations.

To learn more about the CIDI, please visit our website at **www.cidi-icdi.ca**.





Founding Partners

The CIDI is a member-supported organization, providing services to both individual members and Employer Partners. We would like to acknowledge the exceptional support and dedication of our Founding Employer Partners.



For more information on becoming an Employer Partner with the CIDI, please contact us or visit www.cidi-icdi.ca.





Advisory Board

The commitment, drive and passion of our Advisory Board is critical to the success of the CIDI. We thank them for their continued support and dedication.

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Introduction

What Gets Measured Gets Done. It's an old adage, but an accurate one. If we aren't measuring an initiative – whatever the initiative – how do we know if it has been successful? Imagine launching a new product into the market without the ability to measure its success. Unthinkable. So why are we not applying the same rigor to measuring the impact of diversity initiatives?

Many organizations today understand the business case for D&I. Our workforces, customers, and the public are all becoming increasingly more diverse. Organizations that aren't addressing these changing demographics stand to experience negative impacts: loss of market share amongst different communities; decreased ability to serve the diverse population; loss of access to talent; lower employee engagement and higher turnover rates among underrepresented groups of employees; as well as many other potential impacts. Research has shown us that diversity of thought leads to better creativity and innovation in teams, and organizations can improve their public image by being transparent about their efforts to embrace diversity, foster inclusion and address systemic inequities.

There are a number of promising practice research reports on diversity management; however, surprisingly few organizations are actually measuring the *impact* of their diversity initiatives. According to an online survey conducted for the purposes of this report, less than one fifth of Canadian organizations are measuring the impact, efficacy, or return on investment ("ROI") of their diversity initiatives and fewer than 13% are *actually* using Diversity Scorecards.

For D&I professionals, demonstrating how diversity is linked to the bottom line is vitally important. Failure to do so could result in difficulty maintaining funding, garnering support, and obtaining or retaining resources to generate progress toward inclusion. However, many D&I practitioners struggle with exactly what to measure and how to determine whether their programs and initiatives are truly impactful.

What gets measured is what our leaders focus on, and what gets measured is what organizations

undertake. In short, what gets measured gets done. Therefore, if we want our organizations to accomplish our inclusivity goals, it is imperative to measure the efficacy, impact, and ROI of diversity initiatives to demonstrate how D&I initiatives contribute to overall organizational performance.

This research report presents a cross-sector overview of what Canadian employers are currently doing to measure diversity and inclusion, and human rights and equity initiatives within their organizations, and specifically highlights promising practices among leading organizations.

As part of the mandate of the CIDI is to increase awareness, educate, and provide practical solutions, we have included a Toolkit to assist D&I and HR practitioners, and their employers, as they start their journey in the area of measurement, or work to improve their current practices in the area of assessing the ROI of diversity.

Michael Bach, CCDP/AP Founder and CEO Canadian Institute of Diversity and Inclusion





Research Methodology

For the purposes of this exploratory research paper, we conducted research in three stages as follows:

I. Literature Review.

We conducted extensive online research to find publicly available reports and information. As the only book available on the topic, we reviewed **The Diversity Scorecard**, by Edward E. Hubbard. Next, we systematically reviewed the websites of every employer on the 2012 Canada's Best Diversity Employers listⁱ. II. Web Based Survey.

We conducted an online survey of Canadian Diversity and Inclusion, and Human Rights and Equity professionals, with participation from a wide range of employers, including non-profit, government and public sector, healthcare, education, and for-profit companies across Canada.

III. In-depth Research Interviews. We conducted 19 interviews with diversity leaders from a wide range of different types of organizations across Canada.

Literature Review

In *The Diversity Scorecard*, Edward E. Hubbard presents a step-by-step guide to establish a measurement strategy to show the efficacy of organizational D&I initiatives. Hubbard suggests diversity measurement is lacking in many organizationsⁱⁱ. Diversity management is a relatively new area of practice, and there is a range of information that could be measured. In some organizations that information is siloed in different departments and in some cases there is a lack of resources to focus on measurement.

The Diversity Scorecard provides the business case for collecting data and measuring the ROI of diversity initiatives. Hubbard describes many data points and how to measure them, and also provides a process to estimate the monetary value of diversity initiatives and their benefits in order to demonstrate Diversity Return on Investment ("DROI"). This can help an organization to justify the expense of diversity initiatives and personnel.

Many organizations collect some type of diversityrelated data. Much of the data they collect is based on promising practices found in other organizations or tied to legislative requirements, but many organizations fail to see real gains from some of their diversity objectives. Hubbard shows that organizations must align the diversity measurement strategy with key business objectives^{III}. Hubbard suggests the purposes and goals of undertaking any measurement strategy are to:

- 1) Determine if the diversity initiative is accomplishing its objectives;
- 2) Identify the strengths and weaknesses in the diversity initiative;
- Determine the cost/benefit ratio of the diversity initiative;
- 4) Identify who benefits the most and least from the diversity initiative; and
- 5) Gather data to assist in pursuing future initiatives.^{iv}

Diversity initiatives are meant to have a tangible impact on the organization. As part of the process of implementing diversity initiatives and developing measures to determine the efficacy of such initiatives, Hubbard outlines the six levels of impact organizations should take into account on each and every diversity initiative or objective^v:

- "Level 1: Reaction and Satisfaction defines the way a diversity initiative is received by the stakeholders in the organization.
- Level 2: Learning defines specific skills and knowledge which stakeholders would be expected to gain as a result of the diversity initiative.
- Level 3: Application and Implementation defines the issues with regard to



implementing new initiatives within the workplace.

- Level 4: Business Impact defines the specific business measures that are expected to change or improve as a result of the diversity initiative.
- Level 5: Diversity Return on Investment (DROI) defines the specific monetized return on the initiative, comparing the costs of the initiative to the benefits.
- Level 6: Intangibles defines other "softer" related organizational effects that may surface as a result of the diversity initiative's impact."^{vi}

Hubbard further suggests it is important to develop measures that not only capture the current state, but also examine the past, and set the stage for future activities and performance. Additionally, while many organizations measure different data points because they are promising practices for other organizations, or because they are easy, or the data is readily available, D&I practitioners need to ensure they are measuring the areas that are relevant to their organization's particular demographics, as well as its work climate, marketplace, clients, the community, and shareholders.^{vii}

Some have argued that demonstrating ROI is not as relevant for non-profit or public sector organizations as with for-profit companies. However, as budgets are tightened in any organization, demonstrating how D&I initiatives have saved money or averted additional costs could be extremely important to maintaining funding for these initiatives.

Hubbard's book goes on to walk the reader through the process of developing a diversity scorecard for their organization, based on *The Balanced Scorecard* approach originally proposed by Robert S. Kaplan and David P. Norton in their article for the *Harvard Business Review*, *The Balanced Scorecard* – *Measures that Drive Performance*.

The Balanced Scorecard is a strategy performance management tool, which at the time of its publication in 1992, was a new process for going beyond traditional financial measures to look at a more holistic view of organizational performance by examining linkages between categories of performance measures.^{viii} This approach evaluates business performance from four important perspectives: The Learning & Growth Perspective, The Business Process Perspective, The Customer Perspective, The Financial Perspective^{ix}. *The Balanced Scorecard* approach remains among the top management tools used by businesses today.^x

In addition to **The Balanced Scorecard** and **The Diversity Scorecard**, we examined a number of research reports from *Diversity Best Practices*, *The Conference Board*, and *The Centre for Strategy and Evaluation Services*, as well as other independent researchers.

Two reports from Diversity Best Practices ("DBP"), a U.S.-based diversity think tank and consultancy, provided benchmarks against which to assess Canadian organizations. DBP's report Diversity and Inclusion Scorecards provided a review of measurement practices in U.S.-based companies. These practices are consistent with many of the promising practices we have seen through our research in Canadian companies, with the exception that legislative requirements for demographic reporting differ between the two countries. In the U.S., all employers with more than 100 employees are legally required to submit reporting to the Equal Employment Opportunity Commission ("EEOC")^{xi}. In Canada, the Employment Equity Act stipulates that only specific Federally Regulated employers and members of the Federal Contractors' Program are required to collect demographic data and submit reports to the Federal Government. It is estimated that the Employment Equity Act only regulates 6% of the Canadian workforce^x.

DBP's report *Diversity Scorecards and Metrics: Business Alignment* outlines the results of a survey of DBP members to which 31 organizations responded. In their results, more than 70% of the organizations had a diversity scorecard at the enterprise level.

The Conference Board Report *Leadership, Governance, and Accountability – A Pathway to a Diverse and Inclusive Organization,* by Stephanie J. Creary, discusses a range of approaches to diversity leadership, strategy and measurement for continuous improvement. In this report, Creary expresses the imperative for measurement:



"While articulating a vision sets the tone for what is expected for the future, the ultimate purpose of setting goals and objectives is to convert top management's vision into actionable performance targets. Goals should be measurable and include both long-term (3–5 years) and short-term (quarterly or annually) timelines to most effectively drive participation."^{xiii}

Creary provides examples of goal setting exercises and methods to determine measureable objectives once goals are established. The report also provides examples of different U.S. organizations' scorecards, some of which simply list representation numbers and some of which are designed to tell the story of the organization's D&I journey. In addition to a number of the typical measures we have seen, Creary provides some excellent suggestions for evaluating diversity efficacy in organizations:

- Monitoring employee opinion/attitude surveys;
- » Conducting exit interviews;
- » Obtaining feedback from Employee Resource Groups;
- Involving senior leadership in complaint activity from litigation and/or grievances; and
- » Requiring 360-degree feedback of manager and executives from a diverse constituency.^{xiv}

The Costs and Benefits of Diversity – A Study on Methods and Indicators to Measure the Cost-Effectiveness of Diversity Policies in Enterprises, a report completed in 2003 by The Centre for Strategy and Evaluation Services ("CSES") on behalf of the European Commission, examines the costs and benefits associated with organizational diversity initiatives within European organizations, and includes reference to measurement practices within

companies that are quantifying the benefits, specifically referring to *The Balanced Scorecard* approach for reporting on organizational measures. The CSES report discusses the benefits of focusing on workplace diversity, and also the potential costs associated with implementing organizational diversity initiatives.

While noting that measurement practices to demonstrate the efficacy and impact of diversity initiatives have been inconsistent, this report

suggests that organizations use a 'model performance measurement framework' encompassing three areas: program implementation, diversity outcomes and business benefits. Figure 1, below, shows how CSES visualizes its model performance measurement framework.

Figure 1 - CSES Model Performance Measurement Framework



Source: CSES

CSES provides more detailed descriptions of each aspect of the performance measurement framework below:

"Programme implementation – here measures cover actions by companies to facilitate cultural change ('enablers') and to remove obstacles, such as indirect discrimination. Actions here are a combination of inputs and processes. This part of the measurement framework tends to measure activities and costs.

Diversity outcomes – these are the intermediate outcomes of the actions undertaken to implement a workforce diversity policy. As such, none of the outcomes in this part of the model generate business benefits but they are a necessary step that must be passed through before such benefits can be realised. The use of intermediate outcome measures is an important mechanism for gauging progress, and is consistent with modern performance measures and existing measurement practices.

Business benefits – this part of the model captures the business impact of investment in a workforce diversity policy. Our framework is based on the types of benefit companies seek from diversity. Short and medium improvements in business performance are measured in terms



of operational outcomes rather than overall business results. Improvements in intangible assets, in contrast, form part of more strategic measures."^{XV}

The CSES model performance measurement framework suggests that business benefits far outweigh the costs of implementation of diversity initiatives.

The CSES report draws a number of conclusions about the adoption of workforce diversity initiatives in European enterprises that are consistent with the trends seen in North American organizations. It notes that although many companies are examining costs and benefits of diversity initiatives, the reporting tends to be qualitative in nature, and most focus on costs and activities rather than showing the organizational impacts. However, despite the problems with measurement practices, organizations can implement a model of performance measurement based on The Balanced Scorecard approach that provides a systematic method of identifying costs, benefits, and key processes, and demonstrating organizational impact of the diversity initiatives.^{xvi}

The report Global Diversity and Inclusion Benchmarks, published by Julie O'Mara and Alan Richter in 2011, was written to help organizations around the world understand the promising practices in all areas of diversity management. As the report points out, there is no one group or organization with the responsibility or authority to determine what is the right approach to diversity management,^{xvii} however this report was created with input from a panel of 79 experts working in diversity and inclusion, and human rights and equity in organizations around the world. The report describes excellent, medium and poor diversity standards and outcomes.^{xviii} As such it is useful as a tool to compare against the practices of Canadian organizations.

O'Mara and Richter define a 'best practice' as an initiative or approach that helps an organization reach its goals. However, a 'best practice' for one organization may not be a 'best practice' for another^{xix}. It is imperative that diversity initiatives relate to the strategic goals of the organization.

Global Diversity and Inclusion Benchmarks covers 13

categories of diversity-related activity. In each category, activities and initiatives are divided into quartiles labeled 25%, 50%, 75%, and 100%. The authors of the study, based on the input of the 79 expert panellists, believe that activities and initiatives at the 100% level represent the *current* 'best practices' in diversity management globally.

In the area of Assessment, Measurement and Research, the various initiatives are laid out as follows:

At the 25% level:

- Some feedback on D&I is solicited in employee and customer surveys, market research, internal reviews, and climate studies, but there is little follow up or consequences for lack of performance.
- » Representation of women and other groups is monitored, if required by law.
- » Measurements are primarily based on lagging indicators (what has already happened in the organization, such as turnover, lawsuits and complaints)." ^{xx}

At the 50% level:

- "Diversity-specific instruments and techniques (such as a scorecard) are used to assess progress on specific D&I issues, as well as the impact of D&I goals on other organizational programs and current and future goals.
- » Input from employees, former employees, and customers shapes initiatives, monitoring and evaluation.
- » Leaders are individually measured on the execution of D&I goals specific to their areas of responsibility.
- » Internal and external 'best practices' are studied and benchmarking with similar organizations is undertaken." ^{xxi}

At the 75% level:

- "Integrated, multi-technique approaches to monitoring and evaluating D&I goals are conducted; a D&I ROI study has been conducted for at least one high-impact D&I initiative.
- » Organizational culture is monitored through cultural audits using diversity dimensions to uncover critical risk factors.



- » Leading indicators (that predict what will happen, such as employee opinions and employee participation in decisions) are more important than lagging indicators when measuring D&I initiatives.
- » Research on specific diversity dimensions, issues, interactions, and systems is conducted for both internal and external purposes. The organization invests in research to study D&I.
- » Employees are measured on their performance based on D&I goals set by the organization.
- » The organization regularly reviews D&I benchmarks, both within and across industries/sectors, and implements plans to make progress toward meeting them." ^{xxii}

At the 100% level:

- "In-depth D&I assessments covering behaviour, attitude and perception are conducted for the overall organization and within divisions.
- » D&I measures are included as part of the organization's overall scorecard, linked to the organizational strategy, and tied to incentive compensation.
- » Many D&I-related research projects are conducted to address specific concerns and challenges, including broad issues like social responsibility, marketability, sustainability, human rights, and labour rights.
- » Employees provide input to all facets of managing the D&I process, from needs

assessment to evaluation, using practices such as 360-degree feedback and employee opinion/engagement surveys.

» Leaders of the organization can articulate the impact and ROI of all components of its workforce and marketplace D&I initiatives." xxiii

O'Mara and Richter's work on *Global Diversity and Inclusion Benchmarks* has been considered the standard for many years since they convened their first panel to develop global benchmarks in 2006. Their 2011 report continues this tradition of providing useful benchmarks against which organizations can compare their D&I initiatives and management practices. These levels of excellent, medium, and poor practices can be used to evaluate the practices found in Canadian organizations in this research.

All of the major literature sources on diversity measurement and scorecards that we reviewed point to the same conclusions: organizations that are dedicated to diversity must conduct robust measurement of their efforts, and their measurements should go beyond a simple list or accounting of activities undertaken to demonstrate true efficacy and organizational impact of the diversity initiatives. Furthermore, to be truly effective, D&I measures must align with the organization's strategic priorities and goals.

Comprehensive Review of Best Diversity Employers' Websites

The review of the synopses on the 2012 Best Diversity Employers list, ^{xxiv} and the individual websites for each organization on the list, has provided somewhat surprising information about the extent to which employers are publicly reporting their diversity measurement practices.

While we found a wide range of information about diversity initiatives on these organizations' websites, most do not mention their diversity measurement practices at all. Of those that do, many have vague references to goals that they measure, without explicit explanation of the goals or how they are measuring. Also, in some cases, the organizations' website refers to their "strategic plan" and readers are left to question whether or not the plan includes measures of success for strategic D&I goals.

Conversely, some organizations go so far as to provide all their metrics and results online. Organizations that are very transparent with their metrics are often those conducting corporate social responsibility reporting using the Global Reporting Initiative ("GRI") guidelines. The GRI is a comprehensive Sustainability Reporting Framework that is widely used around the world. The GRI Framework enables organizations to measure and report their economic, environmental, social and





governance performance – the four key areas of sustainability. GRI Social Indicators contain a number of metrics important to diversity measurement and reporting.

Our review of the websites of organizations listed on the 2012 Best Diversity Employers list,^{XXV} revealed inconsistency in the degree to which they

Online Survey Results

Fifty-six Canadian organizations responded to our online survey, representing a cross-section of sectors, sizes, and geographies of Canadian employers.

Demographics of Survey Respondents

Sectors of Respondents

Figure 2, below, shows the different sectors of organizations that responded to the survey.

Figure 2 - Sectors of Survey Respondents



They represent a cross-section of different types of organizations in the Canadian economy. Also, in terms of the demographics of survey respondents, we found representation of many different sizes of organizations, with 26.8% of respondents from organizations of less than 50 employees and 35.7% of respondents from organizations with more than 5000 employees. The remaining 37.5% of respondents were distributed among other mediumand large-sized employers in between. demonstrate the efficacy of their diversity initiatives. This is an area where leading Canadian organizations can improve. By describing not only their initiatives, but also what they are doing to measure the impact of those initiatives, they can better demonstrate their commitment to diversity and inclusion, and human rights and equity.

Regulated Respondents

Not all organizations in Canada have a federal mandate to provide Employment Equity reports to the Canadian Government, and this can affect the degree to which they measure and report on their initiatives. Of the respondents to our survey, 32.7% were from organizations that are Federally Regulated employers or members of the Federal Contractors' Program.

Geographic Representation across Canada

Among the respondents, we had representation from every province and territory across the country. Nearly half the respondents were from organizations operating in multiple jurisdictions across Canada. Additionally, 42.9% of the respondents represent organizations with operations outside Canada. For the purposes of this survey, however, we asked respondents to provide answers specifically about their Canadian operations.

Job Functions of Survey Respondents

Figure 3, below, shows the job functions of the individuals who completed the survey.

Figure 3 - Job Function of Survey Respondents





While there was a large contingent of respondents specifically from D&I related roles, nearly 70% of respondents had other functions within their organization. We sought respondents from among the 600+ members of the CIDI LinkedIn group. The fact that only 30% of the respondents were in Diversity, Inclusion, Equity & Human Rights roles is an indication that people from many different functions are interested in diversity, and may also be an indication that not all organizations have a specific diversity team, and/or that diversity and inclusion is a responsibility shared by different functions within Canadian organizations.

Measurement Practices of Organizational Diversity Initiatives

Employee Census

Our online survey showed that just over half of respondents (52.9%) had conducted some form of employee census or had asked employees to selfidentify by personal characteristics. This is compared with 80% of U.S. companies covered in the DBP research report **Diversity Scorecards and Metrics: Business Alignment**.^{xxvi} That means nearly half of Canadian organizations do not even track basic demographic data of their workforces.

Furthermore, since 32.7% of the respondents are legally required to collect and report on demographics under Employment Equity regulations, this suggest that only 20.2% of respondents are collecting this information voluntarily.

This is a significant area for improvement in Canadian organizations. Gathering employee demographic data is widely considered a basic practice for organizations truly dedicated to D&I. The *Global Diversity and Inclusion Benchmarks* report indicates that tracking representation of diverse groups is a practice in the bottom quartile of the benchmarks for diversity assessment and measurement practices^{xxvii}.

Andres Tapia, president of *Diversity Best Practices*, coined the phrase: "Diversity is the mix; inclusion is making the mix work."^{xxviii} Diversity practitioners and organizational leaders need to understand exactly what particular "mix" of employees exists within their organizations before they can proceed to implement programs and initiatives designed to make their particular mix work. Understanding the demographic makeup is an instrumental first step in identifying gaps in representation, and determining inclusion issues and barriers to advancement, so that D&I practitioners can proceed to setting goals, establishing appropriate programs and initiatives, and measuring performance results against established goals and objectives.

Figure 4, below, shows the distribution of categories of demographic information collected by the respondents to our survey. Over two-thirds of those

Figure 4 - Categories of Demographic Info Collected by Survey Respondents



who had conducted an employee census were tracking the four Canadian Employment Equity designated groups: Gender, Visible Minority Status, Disability Status, and Aboriginal Status. Slightly over a third of respondent organizations indicated they are asking employees to self-identify on sexual orientation. Nearly half of respondents indicated they ask employees about first language or other languages spoken.

Diversity & Inclusion as a Strategic Priority

Nearly four fifths of respondents (79.6%) indicated diversity and inclusion, and human rights and equity is considered *a strategic initiative* in their organization. However, less than one fifth (18.8%) indicated they are measuring the impact, efficacy or ROI of their D&I initiatives.

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 D&I initiatives. Why would three fifths of



organizations *not* measure something they consider to be a strategic priority? How can organizations know if they are successful in their efforts to increase inclusion if they are not measuring the impact, efficacy or ROI of their efforts?

Measuring Impact, Efficacy or ROI

Of those who indicated they are measuring impact, efficacy or ROI, Table 1, below, lists the main methods of measuring this impact, and the percentage of organizations using each method.

Table 1 - Methods of Measuring Impact

Method of measuring impact, efficacy or ROI	%
Participation rates in diversity and inclusion, and human	66.7%
rights and equity programs	88.9%
Representation of under-represented groups in senior leadership / board positions	88.9%
Cultural competence/inclusiveness of organization	66.7%
Employee engagement survey responses in relation to inclusiveness	66.7%
Program efficacy	66.7%
Program costs	55.6%
Return on investment	33.3%

Measurement Provides Greater Visibility With Leadership

Only 12.5% of respondents indicated that their organization has a diversity scorecard. Of these, 100% of the respondents affirmed that having a scorecard had raised the profile of their diversity and inclusion, and human rights and equity initiatives among the organization's leadership. And further, all respondents using scorecards indicated that the scorecard had become part of their organization's strategic reporting.

When asked: "What information or data inputs do you wish were included in your scorecard that are not currently included?" respondents provided the following responses:

- Relation between representation rate and global turnover;
- » Disability and Aboriginal representation;
- » Executive leadership recruitment of diverse communities for senior leadership positions;
- » Gender and sexuality; and
- » Multi-faith.

Our survey findings suggest that many D&I practitioners are limited by the reporting

mechanisms available to them in their current organizations.

Key Findings from the Online Survey

- » Nearly 80% of organizations stated that diversity and inclusion, and human rights and equity are considered a strategic priority within their organization;
- » Less than 19% of organizations are measuring the impact, efficacy or ROI of their diversity and inclusion, and human rights and equity initiatives;
- » Only 12.5% of respondents are using a diversity scorecard;
- » 100% of respondents who are using a diversity scorecard affirm that it has raised the profile of their diversity and inclusion, and human rights and equity initiatives among the organization's leadership; and
- » 100% of respondents who are using a diversity scorecard indicate that it has become part of the strategic reporting for their organization.

Developing robust measures of an organization's diversity initiatives is an emerging topic for D&I practitioners in Canada. Results from our survey indicate a gap between aspiration and practice in Canadian organizations.

Measurement is an essential component of continuing to build inclusive organizations in Canada, as it is becoming increasingly difficult for many organizations to justify any expenditures or use of resources that do not directly affect the bottom line or contribute to the operating mission of the organization. It is incumbent upon those of us dedicated to diversity and inclusion, and human rights and equity to demonstrate that these initiatives do indeed have a direct organizational impact.





Research Interviews

For the purpose of this research we conducted 19 indepth interviews: 16 interviews with D&I leaders from a select group of employers across Canada, and 3 interviews with subject matter experts who have provided diversity consulting services to a number of organizations.

Similar to the online survey, the interviews revealed a wide-range of practices in diversity measurement. We found a number of standard measures of D&I, listed below. In addition, leading organizations are going beyond the standard measures to demonstrate the impact, efficacy or ROI of their diversity initiatives.

Standard Measures of Inclusion

- » Representation of diverse/underrepresented 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 and inclusion, and human rights and equity; and
- » Participation in Employee Resource Groups.

As we saw in *Global Diversity and Inclusion*

Benchmarks, most of these measurements fall in the first and second quartile of global diversity initiatives, and would therefore be expected of organizations that are conducting measurement of their diversity initiatives. Many of the organizations we interviewed for this research use these measurements, and go beyond these standard measures.

Going Beyond Standard Measures

In addition to the standard measures of inclusion as outlined above, leading organizations are also monitoring overall organizational inclusion by correlating many data points, e.g., employee engagement survey data, performance management data, mean performance rating by demographic group, employees on flexible work arrangements, and many others. More advanced organizations are including diversityrelated metrics as part of their external and internal pipelines. For example, they may track the number of people hired from diversity recruiting efforts; or examine the demographics of their succession planning, to try to ensure that the next levels of promotions represent the available labour pool, and help the organization to achieve its representation goals.

Some progressive organizations are analyzing their employee survey data by participation in diversity initiatives, such as engagement survey results by Employee Resource Group ("ERG") membership. In this way, they can definitively state whether being a member of an ERG increases an employee's engagement, which is one method of clearly demonstrating the impact of the organization investing in ERGs.

According to Bo Young Lee of Marsh (formerly of Diversity Best Practices) - who has worked with dozens of organizations to develop and implement diversity metrics and scorecards - very few organizations go a step further to measure *leading* indicators as opposed to lagging indicators. As explained in Global Diversity and Inclusion Benchmarks, lagging indicators are measurements of what has already happened in an organization, such as turnover, lawsuits or complaints; while leading indicators predict what will happen with an employee's experience, and are more important than lagging indicators when measuring D&I work. $^{\rm xxix}$ Ms. Lee suggests that leading indicators may include whether the employee has a mentor or executive sponsor, or which employees are working on highprofile projects or clients.

Mary Frances Winters, president of the Winters Group Diversity Consultancy, suggests a few other ways that organizations can go beyond standard measures. One major U.S. private sector employer has a number of more advanced measures to show the impact of its programs and policies. For example, it measures participation in mentoring programs correlated to increased promotions of the individuals who participate. In this way, they are truly showing the impact and outcome of those mentoring relationships. Additionally, this same



organization is measuring retention correlated to participation in ERGs. Ms. Winters suggests that although very few companies are conducting this type of measurement, more organizations *should* be doing it if they want to show the value of these groups. As we have seen from *Global Diversity and Inclusion Benchmarks*, these types of leading indicators are in the top two quartiles of global diversity initiatives^{XXX}. Only three of the Canadian organizations we interviewed are tracking these types of measures.

Ms. Winters also debunked a very common method of measurement for many organizations. While many organizations think they are doing diversity measurement by simply listing the number of employees who attended diversity training, this doesn't demonstrate the impact on the inclusivity of the organization. She suggests that organizations need to go further and examine the effect of that training on employees' attitudes and behaviours. She suggests this can be done by pre- and posttraining attitudinal surveys or by using assessment tools, such as the Intercultural Development Inventory ("IDI").

Very few organizations measure D&I impact throughout an employee's life-cycle. One major public sector organization is one of the few Canadian organizations we examined with extensive metrics at all levels of the organization, and for a range of employee experiences. Ms. Lee corroborates that this is rare, and is something more organizations should be doing. Many organizations are only measuring and reporting on representation at the senior levels. Susan Black, a Canadian diversity advisor and strategist, points out that many organizations only measure what is easy or readily available, but these may not be the most appropriate measures for those organizations.

Many employers have barriers to inclusion and resultant turnover at lower levels of the organization, causing people to disengage and exit the organization long before reaching senior management. Ms. Lee suggests that organizations that are serious about retention should measure a wide range of data points throughout the entire employee life-cycle and examine turnover and disengagement factors at much lower levels of the organization. If they wait to measure these at higher levels only, they may be missing key barriers to inclusion throughout the organization that prevent certain groups from rising through the ranks.

Holding Leaders and Managers Accountable

A small number of leading organizations have tied diversity results to leaders' and managers' annual performance objectives. Two private sector employers had incorporated diversity results into the performance reviews of those at the partner and executive levels. At another private sector employer and a major public sector organization, diversityrelated metrics are incorporated into the competencies of all people managers and certain roles that have an impact on diversity. At one nonprofit employer, intercultural competence is part of the core competencies for members of the national leadership team and a consideration in the hiring process for all new employees.

The most promising practice we found was at a major private sector company, where everyone in the organization has D&I competencies included in their annual performance review. Diversity is tied to the company's values, and the weighting of D&I measures on performance reviews is higher for those at the director level and above.

There are other ways that organizations can measure leaders' behaviours in relation to D&I initiatives. Ms. Winters spoke of one major U.S. private sector organization that measures how often the leaders are involved in activities such as mentoring, sponsorship of individuals, or sponsoring ERGs. Organizations can track these types of important leadership activities as a part of managing and measuring their leaders' commitment to D&I.

Room for Improvement

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During our interviews, we asked consultants: "What types of measures do you think *should* be measured to show impact, efficacy or ROI of diversity initiatives?" and D&I leaders in Canadian organizations: "If you were going to embark on the process of creating a diversity scorecard again, what would you do differently?" These questions yielded some interesting insights.

Several organizations indicated they would include a broader range of employee demographics, i.e., beyond the four designated groups included in the Employment Equity Act, while some indicated they would like to mirror their demographic questions to



the questions on the Canada Census, to provide comparability to the greater population.

A number of organizations indicated they wished their measurement or scorecard would go deeper, to provide a better understanding of the barriers to inclusiveness in their organization. One public sector organization indicated, had they the resources, they would like to delve into all available employee data – not just their equity census and employee engagement survey – to examine data sources that were designed for other operational purposes, but that have substantial relevant information for D&I.

As a way to address this concern, the D&I leader at a major private sector company told us they are creating a template to help facilitate the process and the turn-around time for getting content back from all the various divisions and departments that provide input into their diversity scorecard.

This company indicated they would like to be able to benchmark their diversity scorecard against others in the industry. This could be challenging as most organizations are not using a standard set of comparable metrics. Most organizations we consulted were using a scorecard or metrics they had developed internally.

Another major private sector employer indicated they would like to conduct the analysis in a system that allows year-over-year comparison, to provide both short- and long-term views to help them understand if certain results are exceptional onetime incidents or ongoing trends, and also to help them develop relevant and informed short- and longterm goals. In a similar vein, another employer would like to have a system that does predictive modeling, such that if a department or division, or the company as a whole were to make certain changes they'd be able to see potential future impacts.

These responses corroborate the information we learned in the literature review, specifically in *Global Diversity and Inclusion Benchmarks*. Organizations that have practices in the second and third quartiles of the global benchmarks seek continuous improvement and strive for global promising practice in their diversity initiatives and measurement.

Going Deeper

As some organizations indicated they would like to go deeper on their diversity measurement and analyses, we asked our experts how organizations could do this. Ms. Lee said it is important to determine the success factors within a particular organization. Most employers understand very little about what truly makes a person successful in their organization, she said. A few leading organizations are starting to break down these success factors. Ms. Lee suggests companies should do rigorous analyses of what determines success in their particular organization, looking at both statistical and psychological measures. Then, they should examine that data against demographics and diversity measures.

For example, one U.S. professional services organization Ms. Lee consulted with conducted a rigorous internal analysis and found that individuals who worked on the client team for a particular highprofile client were much more likely to become a partner than those who hadn't. In fact, when they examined those who had been promoted to partner, most of them - at one time or another - had worked on that high-profile client team. When they examined the demographics of the "special client" team, they found the team was primarily Caucasian. Thus, they discovered a significant barrier to advancement that 1) had not been considered before; and 2) would never have been revealed by standard diversity measurements that are conducted in most organizations. Therefore, Ms. Lee indicates that it is imperative for organizations that are truly committed to D&I to determine the means of actual success and then create a metric based on that. This takes additional effort, but is a necessary exercise for organizations that truly want to understand where barriers exist.

Ms. Winters suggested that more organizations should explicitly measure innovation impacts as a result of deliberate management of D&I. Research shows that diversity leads to greater innovation, but Ms. Winters would like to see more organizations set up control groups to work on projects where innovation is necessary to see if that assumption can be proven. Additionally, she suggested that organizations should capture market impact and external recognition of their diversity initiatives, in addition to internal HR-related information.



While our subject matter experts suggested it was rare for organizations to conduct ROI analyses of their diversity initiatives, three of the organizations we interviewed were conducting such analyses. At one major Canadian private sector employer, they were able to determine the ROI of diversity-related community initiatives and correlate that directly to new business and increased revenue.

Barriers to Data Collection

While some organizations indicated that gathering the data and having the resources to analyze it was a challenge, Ms. Lee indicated that, in her experience, organizations' legal counsel sometimes presented objections over the collection of such data.

Additionally, some of our respondents indicated there was initial resistance to collecting personal information. The best way to overcome this objection was through extensive communication regarding the purpose of collecting the data. Generally, after organizations became accustomed to the collection, and began to see useful relevant reporting based on the collected information, most initial resistance dissipated.

Stumbling Blocks to Success

Introducing accountability too early can be problematic. Some organizations attempt to launch a scorecard and accountability together, and this can cause resistance. Ms. Lee suggested that organizations should introduce the concept of measurement first, allowing people to get used to looking at the data for a few years before they are held accountable for it.

Ms. Winters also cautioned that if the scorecard is developed solely by the D&I team, it may not be as successful as it would be if it was developed by the leadership or in partnership with leadership. If leaders set their own standards or are involved in setting the metrics, they are much more likely to take the measures seriously and then the measurement process will be more than just a "box checking" exercise.

Ultimately, measurements are useless if no one reads them. Susan Black had a few suggestions to ensure that scorecards will be utilized: make sure they are easy to understand, relevant to what you are trying to achieve, and that your data is sound. Ms. Black also mentioned that organizations need to invest in helping people understand what the scorecard tells them, and invest time and resources to conduct regular reviews and updates, and consistently communicate the results and plans for continuous improvement.

What Makes a Scorecard Successful?

Our interviewees indicated that a diversity scorecard is most successful when:

- » The top leader is accountable for the results and holds their leadership teams accountable;
- » The leadership teams regularly read and understand the scorecard;
- » Leadership and managers understand how they can personally impact the results;
- » Leaders are involved in developing the scorecard;
- » The results are relevant to the organization's strategic goals;
- » The organization is ready for the measures;
- » A wide range of historical data is available on all aspects of the employee experience throughout all levels of the organization;
- » It is brief and easy to read;
- » It is communicated effectively and consistently; and
- » Measures demonstrate efficacy and impact, not just list activities undertaken.

Major Data Inputs to Diversity Scorecards

In organizations conducting robust measures, information is often gathered in several different systems, but then correlated through a unique identifier, usually an employee number. Examples of data sources:

- » Employee records in the Human Resources Information System ("HRIS");
- » Employee census;
- » Equity/inclusivity questionnaires;
- » Employee engagement surveys, which include demographic questions and equity/inclusion questions;
- » Learning Management System ("LMS") data regarding training initiatives;
- » Procurement data;
- » Qualitative and quantitative reports from relevant departments;
- » Market data;
- » Sales and marketing reports regarding initiatives with demographic targets;



- » Focus groups, interviews, or surveys with employees, clients or the public;
- » Exit interviews with departing employees; and
- » External awards and recognition.

Key Insights from the Research Interviews

Hard metrics that relate back to the strategies and key objectives of the organization are critical, but as Ms. Winters points out, we need both qualitative and quantitative measures to tell the story of where the organization is on its diversity journey. She said while it is essential to report metrics that capture an overall picture of the collective experience, it is also important to share the stories of how individual employees experience the organizational culture. She further said organizations need to find mechanisms for employees to be honest and to provide authentic input in their own words. Often employees are reluctant to be truly honest on surveys or in focus groups.

Shamira Madhany, Chief Officer, Diversity and Accessibility for the Ontario Public Service ("OPS"), corroborated the need for storytelling. She mentioned that people interpret the data in unique ways, sometimes in ways that weren't intended. Ms. Madhany indicated that the OPS learned it was very important to have good communications to frame where the data is coming from and what it actually means for the organization. However, they also found that when an organization is courageous enough to share information, it encourages more rich discussions.

Many of our interviewees mentioned courage. Every organization is on a diversity journey. It takes courage for an organization to be transparent about its metrics, challenges, goals and performance against those goals. However, while diversity reporting is relatively new in many areas, there is a relevant and well-established comparator: corporate social responsibility ("CSR") reporting. As has already been demonstrated in the decades old realm of CSR reporting, selective disclosure (also known as "green washing"), ultimately reduces the credibility of organizations, and can result in public backlash. Thus, organizations that are dedicated to D&I must be careful to avoid selective disclosure on their diversity metrics and performance reporting.

Diversity scorecards are most successful when they are developed with the senior leaders and owned by them. It's not enough for the HR or D&I team to develop a scorecard on their own. Leaders and managers in the organization must own the results. Furthermore, regular review and consistent effective communication of the scorecard results and what they mean for the organization are essential. As Ms. Black said, "It's only useful if it's used as a tool on an ongoing basis to facilitate discussion about opportunities and issues to be addressed."

Norma Tombari, Director, Global Diversity at RBC echoed this sentiment. She said, ultimately the scorecard can only do so much. Every staffing opportunity in an organization makes the difference. If people don't really understand the rationale – the business imperative – for increasing diversity and inclusion, then the scorecard will only reveal what didn't happen. Leaders need to truly understand and drive D&I efforts, and work on the identification, mentoring and development of diverse talent to ensure they are promotion ready.

Organizations need to be ready for the measures. It can be challenging if you have not been measuring anything to suddenly implement a measurement strategy. Phasing in these measures can help with acceptance in your organization. Once people see the value of having the measures, resistance will often fade.

Most importantly, if measurement strategies are to be truly useful, they need to measure efficacy of the diversity initiatives and not simply be a list of activities undertaken by the organization, with no demonstration of how those activities impact the organization's inclusion goals.

The primary purpose of diversity measurement and scorecards is to answer the questions: Are we making our organization more inclusive with our initiatives, and how do they impact the organization's overall strategic goals?



Conclusion

Organizations that have metrics to demonstrate impact and that are tied to strategic goals can show real results for their efforts. Those that also tie leadership accountability to the results are best able to make significant strides in improving their inclusivity.

Additionally, what gets measured can help organizations understand how effective their programs and policies are; where they have issues; and what relevant and reasonable goals they can establish to improve performance. Almost every organization that participated in this research said there was nothing they were measuring that was not useful in some way. Furthermore, conducting yearover-year analysis on a wide range of data points is instrumental to understanding all of the nuances of how people experience inclusion in complex organizations. Collecting data and reporting on activities is not enough. The most important success factors are when measurement reporting is tied to relevant strategic objectives and the reports are owned, understood and utilized by the organization's top leadership, not just the D&I team.

Ultimately, through our literature review, survey, and interviews, our research demonstrates that robust and deep data collection in a number of areas is essential for success in reporting on the efficacy of diversity initiatives. For future sustainability of D&I initiatives, the measurement and reporting of diversity and inclusion, and human rights and equity endeavours must move beyond a qualitative measurement to strategically relevant qualitative **and** quantitative results, showing true strategic organizational impact.



Toolkit: Implementing or Improving Diversity Measures

After reading this research report, you may be thinking that measurement is a monumental task for which you don't have the resources. You might be thinking you cannot afford to measure. On the contrary, we suggest that you cannot afford **not** to measure.

Many organizations are feeling the sting of tightening budgets. Anything that cannot or does not show value runs the risk of being cut.

By now, your organization may understand the business case for diversity, but if you are not able to

Implementing Measurement:

Strategize

As with any business priority, you need a strategy. If you don't have a strategy, you risk having your diversity journey viewed as a series of disjointed events. Create a D&I strategy document that outlines your objectives, what actions you'll take to achieve them, and how you're going to measure success. Set goals that align with your organization's overall strategic objectives. Determine what success will look like and how you will know (if and when) you've achieved it.

Leadership Support

Tone from the top is one of the single most important pieces of a diversity initiative. If leadership doesn't understand the business case for diversity, you need to work with them until they do. Furthermore, they need to believe in the business case, and live it. It is critical that you gain the buy-in of the organization's leadership to ensure this strategy will be successful. If it's not important to them, it won't be important to the organization.

Make the Case for Measurement

Your organization is likely already conducting some form of measurement – things like voluntary and involuntary turnover, etc. That's what leaders discuss. Make the business case for why measurement of your D&I initiatives is essential to your organization's success, and demonstrate how it will show impact on your organization's strategic goals. demonstrate and articulate that value, your diversity strategy could be at risk. Measurement is key to showing you are *actually* making progress toward your goal of creating a more inclusive organization, and that D&I can have a positive impact on the top and bottom line of your organization.

As part of the mandate of the CIDI to assist our members and the broader community, we have prepared some practical tips that can be used by any organization to implement a strategy or process for measuring the ROI of D&I initiatives, or to improve on an existing one.

Consider articulating how collecting data may also benefit other departments, divisions, or business units within your organization.

Employee Census

If your organization is not already doing it, conduct an employee census. By all accounts, it is a basic first step to understanding how your organization is performing.

If you don't know who your people are, how are you going to craft a diversity strategy that meets their needs, and addresses gaps of underrepresented groups within your workplace?

Demographic data can be a very powerful tool. Don't be afraid of it. The most successful organizations in the area of D&I collect robust demographic data so they can understand who their people are.

If you don't have the resources internally to collect the data, utilize an external service provider.

Speak the Same Language

If your organization already has an organizational scorecard, a metrics reporting framework or a dashboard, create your measures to align or mirror them. Use a similar format and align your verbiage with the organization's established goals and measurement terminology.





Start Small

Start with what you can measure. Here are some ideas of things you can start tracking:

- » Representation of underrepresented 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 and inclusion, and human rights and equity; and
- » Participation in Employee Resource Groups (aka Affinity Groups, Networking Groups, etc.).

Something Borrowed...

If you have limited resources, borrow them:

- » Recruit the diversity champions who already exist in your organization, e.g., employees who are involved in Employee Resource Groups, diversity councils, or other D&I initiatives. Ask them to take on different aspects of the measurement process, giving them tasks that will take a limited amount of time. This way, you can spread out the workload.
- » If you have an analytics, reporting or performance management team, find out what data they are already collecting and what resources they have to analyze that data. Perhaps they can spare an analyst for a few hours per week or month.
- » Engage an external service provider that can take your data, analyze it, and create a useful scorecard.

Improving Measurement:

Review and Reassess

Review your diversity strategy and measurements to ensure they are aligned with the key objectives of your organization. If you have a diversity strategy or existing reports, determine methods to evaluate efficacy or impact for every goal or activity listed on your strategy. Reporting on D&I should be more than just a checklist of activities.

» For example, if your organization usually lists "community involvement" as a goal, and your reporting outlines all the community activities you participated in, implement a brief pre- and post-survey with your staff and/or community organizations to determine the impact of participating in the community event. Conduct this for every event. Then, in your reporting, discuss not just the fact that you participated in the activities, but the impact of the activities.

Hold Your Leaders Accountable

If you are not already doing it, make the case to include some form of leadership accountability that is tied to D&I. Make sure it aligns to your organization's strategic goals or existing leadership competencies.

Measure More

Gather information from as many areas of the organization as possible, even areas that are not directly related to D&I.

In many organizations, there are pockets of activity that could be considered under the D&I umbrella that are not being captured. This is a lost opportunity for many organizations.

Including this information as part of your overall scorecard will help you gain a more holistic view of the experiences of individuals in your organization.

Start tracking leading indicators as opposed to lagging indicators, such as:

- » Employee participation in ERGs or mentoring programs;
- » Employees who have executive sponsors; and/or
- » Employees who work on high-profile clients or projects.

Before You Go...

Ensure you are conducting exit interviews, focus groups, and/or individual interviews with representatives of all key demographics to reveal insights about different groups' experiences of your organizational culture.





Compare and Contrast

Benchmarking your organization against other organizations in the same sector or industry can be invaluable to understand how you are doing on your diversity goals. If you are already doing this, take it a step further and benchmark against organizations in other sectors to learn about national or global promising practices.

That said other organizations might be hesitant to share information. If that's the case, engage a third party external service provider that can gather all the information based on standardized collection, and provide a summary report to all participating organizations. This will allow you to compare yourself against the industry, and not one specific competitor.

Communicate. Communicate. Communicate

Communication is one of the more critical pieces when it comes to a diversity strategy. Even more so when it comes to measurement.

Explain to your people why you are measuring, what the measurements mean, and how they can impact the results. Include your metrics on your intranet and public website to demonstrate your commitment to improving inclusivity.

Review and Repeat

Review your measurements regularly to determine if they are telling you the complete story. Ask questions like:

- » How are we doing? What have we achieved to date?
- » What has worked?
- » What didn't work, and why?
- » What needs to be adjusted?
- » Where do we go from here?

Stay The Course

One of the most important pieces of advice we can give to D&I practitioners is: be patient and creative. Forgive yourself for not being able to do it all. We know you have lofty goals and limited resources. You are doing this work because you are passionate about it and because you know it is good for your organization and your people. Harness that passion to engage others and encourage them to contribute.

Just Do It

Ask for and be open to feedback on your measurements and reports. Once you have it, make sure you do something about it.

If D&I is a strategic priority, it is imperative that you understand how you are doing so you will know if you're successful.

You can probably come up with a thousand reasons why you shouldn't measure, but there's one essential reason why you should: **What Gets Measured Gets Done**.





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