Executive Summary

In the 2015 Strategic Diversity Measurement survey, PeopleFluent Research Institute and Human Capital Media have identified several trends regarding the organizational Diversity and Inclusion function. Companies of all sizes experience challenges regarding a lack of accepted diversity benchmarks, although those with an advanced D&I function report fewer challenges. Measuring as many metrics as possible is an essential part of any diversity strategy. Vendors can assist organizations at all maturity stages, from crafting a new strategy to improving an existing one.
Introduction

In its book “Managing Diversity in Corporate America,” the Rand Corp. charged companies with embracing workforce diversity, citing the benefits to both employer and employee: Organizational diversity both improves a company’s bottom line and creates a healthier work environment, resulting in greater employee job satisfaction.¹

The consensus on measuring the effect of diversity and inclusion, or D&I, is that it must move beyond compliance-based representational demographics into the strategic realm. By aligning diversity goals with enterprise goals, your organization can better make the case for its diversity programs.

However, there is little indication about what is being done to accomplish this. While companies want to be more strategic and add value through D&I, they often have trouble even starting out. How are stakeholders expected to deploy a diversity plan if they aren’t sure what to measure or why they should be measuring anything?

Once an organization identifies its basic measurement goals, its D&I function must then go further and answer broader questions. What exactly does strategic diversity look like? What metrics do organizations track, and what should it do with the gathered information? What does accountability look like in the diversity area? In the 2015 Strategic Diversity Measurement survey, Human Capital Media Advisory Group, the research arm of Talent Management magazine, in partnership with PeopleFluent Research Institute, set out to answer these questions and explore the stages of strategic diversity measurement. This white paper will discuss those findings.

Key Findings

• **Challenges are consistent.** All organizations face similar challenges to achieving D&I goals. Top challenges are a lack of accepted D&I benchmarks, lack of budget and difficulty working across functional areas.

• **HR is often responsible for D&I initiatives.** Areas most likely to be integrated with D&I are talent acquisition, learning and development, and employee engagement.

• **Vendor usage depends on D&I maturity.** One in three companies

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²Organizational maturity defined:

**Undeveloped:** We’ve done little to integrate diversity with organizational goals.

**Beginning:** Some efforts have been made in using D&I as a public relations function.

**Intermediate:** We’ve deployed several piecemeal D&I initiatives.

**Advanced:** Our D&I strategy is well aligned with organizational goals and needs.
use vendors, and vendor objectives depend on the organizational maturity of the D&I function. Vendors assist undeveloped and beginning organizations with crafting a diversity strategy, while intermediate and advanced organizations use vendors to help them identify areas of opportunity with their current strategy.

• **Measurement is key to a successful diversity strategy.** More than half (52 percent) of all organizations have been focusing on D&I for more than four years. Many have in-house measurement experts and use integrated HR systems or specialized software to track workforce demographics.

• **Effective organizations track more, measure more and reward more.** Organizations with an advanced diversity function are more likely to track a wide variety of workforce demographics and use incentives for D&I accountability. Advanced organizations have successfully used D&I metrics to make the business case for culture change.

**Overview**

Where do you begin with diversity? A well-developed D&I strategy must first identify strategic goals that align with organizational outcomes. Survey respondents report the top three D&I strategic goals are creating an inclusive company culture (74 percent), increasing employee engagement (64 percent) and helping the company become an employer of choice (61 percent). Crafting a strategic measurement plan that addresses these organizational goals is a good first step to creating a diversity strategy. Organizations realize that the best place to start is with a plan and more than half (62 percent) of survey respondents have such a plan in place or have begun to implement one.

After crafting a diversity mission statement and identifying goals that cascade from the top to the bottom of the organization, stakeholders should start to compare the current and desired state as it relates to diversity and inclusion. However, there are many challenges to improving the D&I function. The top challenge among all organizations is the lack of accepted benchmarks for diversity and inclusion. Other challenges are lack of budget and difficulty working cross functionally (Figure 1, p. 4).

Why is identifying diversity benchmarks so difficult? One reason could be because the very nature of diversity is so broad. In the 2000 benchmarking study Best Practices in Achieving Workforce Diversity, the U.S. Department of Commerce defined diversity this way: “all characteristics and experiences that define each of us as individuals.”³ More recently, a 2014 study by the Diversity Collegium identified 280 possible diversity benchmarks across

13 different categories. These are just some examples of why identifying diversity metrics is so hard. Given the option of measuring 280 different metrics or the sum of all individual experiences, organizations may just find it easier (or regulatory required) to track such compliance-related diversity metrics — such as race, gender or disability status — and leave it at that. Organizations with undeveloped diversity functions are hit hardest by the lack of accepted benchmarks; nearly a third (31 percent) don’t track demographics at all and nearly 7 in 10 (69 percent) don’t know what to track or why they should track demographics in the first place (Figure 2).

As the D&I function matures, the scope of measurement metrics broadens. When organizations begin tracking workforce diversity, they start with

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compliance-based metrics or metrics focused on recruiting outcomes. As organizational maturity moves from undeveloped to beginning, there is a sizable jump in the breadth of tracked metrics (Figure 3).

Who Oversees D&I?

For many organizations, D&I falls under the umbrella of human resources. Integrating different functions with diversity and inclusion, such as measurement, is an important step to developing a solid D&I strategy. Talent acquisition, learning and development, employee engagement, and compliance are all top areas for integration, with advanced organizations integrating the D&I function with these areas much more often (Figure 4).

The more the D&I function is integrated across multiple areas of talent management, the less often organizations encounter challenges. As companies begin to develop a diversity strategy, they often face obstacles such as being tasked to craft a strategy with no available budget or

“[We have an] inability to clearly define diversity as it relates to all human beings. As it’s typically defined it feels exclusive rather than inclusive. It feels programmatic, rather than part of a natural system that, by default, is diverse.”

“We can only measure gender. Nothing else.”

“[Metrics are] simply kept on file for now.”

“Beginning this year, the organization is embarking on workplace of choice as a new initiative. We are looking at using metrics.”

—Survey respondents at beginning organizations, open comments
direction. Advanced organizations still face these issues from time to time, but their previous experience means they face challenges far less often (Figure 5).

**Figure 5: Diversity goal challenges**

<table>
<thead>
<tr>
<th>Lack of accepted benchmarks</th>
<th>Lack of budget</th>
<th>Difficulty working cross functionally</th>
<th>Lack of resources</th>
<th>Difficulty demonstrating impact of previous efforts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning</td>
<td>Average</td>
<td>Advanced</td>
<td>Beginning</td>
<td>Advanced</td>
</tr>
<tr>
<td>48%</td>
<td>42%</td>
<td>48%</td>
<td>49%</td>
<td>53%</td>
</tr>
<tr>
<td>26%</td>
<td>41%</td>
<td>40%</td>
<td>36%</td>
<td>22%</td>
</tr>
<tr>
<td>36%</td>
<td>22%</td>
<td>34%</td>
<td>36%</td>
<td>39%</td>
</tr>
</tbody>
</table>

Partnering with Vendors

Slightly more than a third (36 percent) of companies use D&I consultants or vendors. However, by examining the numbers by organizational maturity, a more interesting picture emerges about which organizations use vendors and why. Vendor usage doubles from the undeveloped to the intermediate stage, to 48 percent of organizations from 21 percent (Figure 6).

**Figure 6: Our organization uses the following diversity resources.**

<table>
<thead>
<tr>
<th>Vendors</th>
<th>In-house measurement experts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average</td>
<td>Undeveloped</td>
</tr>
<tr>
<td>36%</td>
<td>36%</td>
</tr>
<tr>
<td>21%</td>
<td>27%</td>
</tr>
<tr>
<td>12%</td>
<td>30%</td>
</tr>
<tr>
<td>Beginning</td>
<td>Intermediate</td>
</tr>
<tr>
<td>39%</td>
<td>45%</td>
</tr>
<tr>
<td>30%</td>
<td>45%</td>
</tr>
<tr>
<td>Intermediate</td>
<td>Advanced</td>
</tr>
<tr>
<td>45%</td>
<td>64%</td>
</tr>
</tbody>
</table>

Starting at the intermediate stage there is a notable shift in how organizations rely on vendors regarding the D&I function. Whereas

“[Incentives are] a percentage of executive, director, manager’s year-end bonus.”

“In recent months, there has been an effort to garner input from employees using surveys and seminar surveys to gather data.”

“[Metrics] showed the underrepresentation of women and minorities in our company. [We] need to have more women and minorities represented in leadership roles.”

“[Metrics used are] employee engagement survey results, drilled down by demographics. Results to be used in action planning to ensure equity in the employee experience.”

“[Metrics used are] diversity in leadership by level, recruitment, and promotion data—mostly representational data.”

—Survey respondents at intermediate organizations, open comments
Measurement

Measurement is a key part of any diversity strategy. Without measuring workforce demographics, organizations are unable to make strategic decisions about their diversity goals. Organizations overwhelmingly track some basic workforce statistics, such as gender or ethnicity. Many go further, tracking ancillary metrics such as veteran, disability or LGBT status. The more mature the D&I function, the more help organizations need to track metrics and make statistics available for reporting and analysis. To track workforce demographics, many organizations rely on integrated HR systems. Tracking can also be done manually, although as the D&I function matures companies begin to rely more on specialized software. While nearly a third (29 percent) of all organizations use manual processes for tracking workforce demographics, this number drops to 14 percent at the advanced

Figure 7: What tasks does your consultant/vendor help your organization with?

- Undeveloped 8%
- Beginning 15%
- Intermediate 12%
- Advanced 10%

Creating strategic D&I programs/campaigns 8%
Identifying areas of improvement 19%

Q: What metrics does your organization use to measure the impact of diversity and inclusion?


A: Many metrics around Aboriginal recruitment and retention.

“Goal attainment on diversity recruitment/retention metrics is tied to executive compensation incentive bonuses.”

“[Metrics used are] employee retention; we used the diversity metrics on how the company valued each individual to build the business case.”

—Survey respondents at advanced organizations, open comments
level, where diversity strategies may be too complex to effectively track manually (Figure 8).

Tracking demographics requires experts to analyze and compare data, and be able to use that data to make the business case for future D&I investment. Both in-house experts and vendors can help measure the impact of a diversity program. D&I maturity takes time; more than half (52 percent) of all organizations have focused on D&I for the past four years, while the majority (66 percent) of advanced organizations have been focusing on D&I for seven years or more. Many feel that although the work on strategic diversity measurement has begun, there is still much to accomplish. Slightly less than half (48 percent) of all organizations believe there is still much to do (Figure 9).

Most Effective Practices

While many companies still struggle with identifying what to measure or why, a quarter (24 percent) of organizations feel they’ve succeeded at making the business case. These self-identified advanced organizations
have aligned the D&I function with organizational goals and created strategic and well-planned diversity strategies. To accomplish their goals, they track a wide variety of diversity metrics, set annual improvement goals, and use analytics to problem-solve recruiting and succession-planning issues. Achieving organizational diversity can help the bottom line; companies that rank in the top 25 percent of executive-board diversity have a return on equity that is on average 53 percent higher than those in the bottom 25 percent.\(^5\) Also, the majority of top companies agree that diversity is a key driver in fostering innovation at their organization.\(^6\)

When examining organizations with advanced D&I functions, several trends emerge. Advanced organizations are more likely to have in-house experts for D&I measurement analysis, track workforce demographics through integrated HR systems, and employ vendors to help identify areas of improvement in their D&I strategy. Advanced organizations are also more likely to use incentives for D&I goal accountability and are more likely to have used metrics to make the case for culture change. Two metrics often used by advanced organizations are goal attainment on D&I recruiting and retention (Figure 10).

\begin{figure}
\centering
\includegraphics[width=\textwidth]{Figure10.png}
\caption{D&I strategy by organizational maturity}
\end{figure}

As the diversity function matures, companies do more to ensure their diversity goals align with organizational goals. Tracking workforce demographics means there are data sets on hand to make the business case for diversity. Offering incentives helps hold accountability for D&I programs, giving stakeholders a reason to ensure program success. By having easy access to measurement experts, organizations can better identify the metrics to track that are best suited to their goals. Tracking a wide range of metrics is an effective practice of advanced D&I functions; the increase in measurement from an undeveloped to an advanced organization is profound. By employing in-house measurement experts and vendors to identify areas of opportunity, organizations are better positioned to customize their diversity strategy to fit their needs (Figure 11).

**Figure 11:** We use these metrics to measure the impact of diversity and inclusion

<table>
<thead>
<tr>
<th>Metric</th>
<th>Undeveloped</th>
<th>Average</th>
<th>Advanced</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic workforce demographics</td>
<td>70%</td>
<td>84%</td>
<td>83%</td>
</tr>
<tr>
<td>(gender, ethnicity)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advanced workforce demographics</td>
<td>22%</td>
<td>48%</td>
<td>63%</td>
</tr>
<tr>
<td>(veteran status, disability, LGBT)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recruiting outcomes</td>
<td>22%</td>
<td>50%</td>
<td>58%</td>
</tr>
<tr>
<td>Work environment</td>
<td>13%</td>
<td>47%</td>
<td>63%</td>
</tr>
<tr>
<td>(employee engagement)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee retention</td>
<td>21%</td>
<td>48%</td>
<td>58%</td>
</tr>
</tbody>
</table>

**Conclusion**

A clearly defined, focused diversity strategy can help an organization improve its bottom line, attract top talent and retain high-potential employees. Organizations with mature diversity functions follow a similar set of effective practices to make the business case for diversity programs. By measuring as many metrics as possible, using an integrated HR system to track demographics and using vendors strategically, organizations can successfully make the case for culture change. Accountability is also important, and the most successful companies tie incentives to the completion of D&I goals. Through data tracking and analysis, organizations will see a more diverse workforce at their company, which can lead to innovation and increased employee engagement.
About PeopleFluent

PeopleFluent, the leading total workforce HCM technology company, redefines Talent Management with an innovative Talent Engagement Cloud that is built around people and not HR processes. By deeply integrating pervasive video, strategic analytics, and collaborative social technologies into its complete suite of Talent Management applications, PeopleFluent redefines employee engagement to address productivity loss and diminished financial results due to an increasingly disengaged workforce. With PeopleFluent, companies can change at the speed of business without costly IT interventions through intuitive, highly configurable software that is built upon the right data. Spanning across an organization’s entire global workforce with one talent cloud, PeopleFluent equips leaders with the meaningful talent data and strategic analytics necessary to make better business decisions.

PeopleFluent has worked with over 5,100 organizations in 214 countries and territories to engage employees to drive better business results. Today, 80% of the Fortune 100 relies on PeopleFluent as part of their talent management delivery strategy, helping them successfully achieve their talent aspirations.

About Talent Management magazine

Talent Management provides in-depth information to talent management and HR professionals who are charged with the design, development and execution of integrated talent management programs that encompass recruitment and retention, employee assessment and evaluation, compensation and benefits, performance management, employee learning, workforce development and succession planning.

About Human Capital Media

The Human Capital Media (HCM) Research and Advisory Group is the research division of Human Capital Media, publisher of Chief Learning Officer, Talent Management and Workforce magazines. The Research and Advisory Group specializes in partnered research solutions — customizable and proprietary deliverables that integrate seamlessly with existing sales and marketing programs. Leveraging our access to senior-level decision-makers and proven HR industry expertise, we undertake market and thought leadership research in the human resources industry. Creating custom content and presenting thought leadership research are all part of the Research and Advisory Group’s focus.

If you have any questions, contact Sarah Kimmel, vice president of Research and Advisory Services: skimmel@humancapitalmedia.com.

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