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What Diversity Metrics are Best Used to Track and Improve Employee Diversity?

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Abstract
In recent years organizations have been implementing diversity initiatives that go far beyond affirmative action and compliance standards. An increasingly global economy and multicultural workforce has allowed for business leaders to truly value diversity with regard to all aspects of their operations. Business leaders now understand that diversity can be leveraged as a competitive edge and need to be accounted for in the equation for continued business development.

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EXECUTIVE SUMMARY

Research Question

What diversity metrics are best used to track and improve employee diversity?

Introduction

In recent years organizations have been implementing diversity initiatives that go far beyond affirmative action and compliance standards. An increasingly global economy and multicultural workforce has allowed for business leaders to truly value diversity with regard to all aspects of their operations. Business leaders now understand that diversity can be leveraged as a competitive edge and need to be accounted for in the equation for continued business development.

General Methodology on Developing Diversity Metrics

In order to quantify diversity's return on investment, diversity metrics need to be aligned with key organizational values and goals. This can be accomplished by asking the following questions when deciding on diversity metric to implement.

- What do you want diversity to help you achieve?
- What do you need to implement?
- How can you measure it?

There are two basic types of measurement: (1) Quantitative: takes a variety of forms, such as headcount, percentages, rates, proportions, ratios, volume, scales, and indices (2) Qualitative: used to evaluate quality of efforts and results of business.

Best Practices

Aetna's diversity strategy "ICE"(integration, communication and education) is a unique marriage of diversity values and business strategy. The major components of "ICE" include: New-hire orientation with an overview of the diversity strategy, an internal diversity web site that houses information and resources related to diversity and inclusion along with Aetna's mission and strategy, regularly published articles on diversity topics on their intranet, a speaker series about diversity programs available to all employees via live webcast, and transparency of diversity initiatives and data at quarterly managers' meeting and at all-employee meetings. To keep these initiatives effective, metrics are used to assess the business impact of its diversity initiatives (see appendix).

Nextel Communications Inc. quantified, specifically, the ROI from employees' increased retention rate., as a result of diversity training. They created detailed training scorecards, clear objectives, and a comprehensive evaluation process in order to increase the talent retention rate and overall satisfaction of their workforce. By quantifying the retention rate and cost per lost employee, Nextel was able to make the business case for their diversity, ultimately "directly saving the company $3,204,000 in the year 1999."

Sodex commitment on diversity starts from the top. All executive committee members are mentors and all senior leaders sponsor resource groups. **Cummins** has more than 100 resource-group chapters

nationwide. Diversity goals are part of executive-performance reviews. It measures retention, business contributions and engagement of it resource-group members versus nonmembers. **Pfizer** focuses on its talent-development initiatives for women and people from other underrepresented groups through a variety of formal mentoring initiatives. Its resource groups are used for recruitment, on-boarding of new employees, mentoring, talent development, and etc.

Focus area	Measurement
Representation Metrics	Compare representation of monitored groups to an identified internal or external benchmark
Recruitment Metrics	Compare representation of monitored groups in the applicant pool to an identified benchmark
Staffing/Placement Metrics	Compare representation of monitored groups hired or placed to an identified benchmark
Transaction Metrics	Are monitored groups being retained, advanced, etc. at "expected" rates relative to benchmark?
Training Metrics	Evaluate penetration of diversity-related training, general training participation rates, and demographics of talent pipeline
Workplace Climate Metrics	Use in trend analysis or comparison of organizational units to broader company benchmark

*Major measurements on employee diversity

Recommendation

Conduct Employee Climate Survey:
Employee climate surveys help capture the perceived benefits of programs that many qualitative metrics miss. They allow for employee input with regard to effectiveness of diversity initiatives, and provides invaluable insight into which diversity programs are most critical to staff and might yield the greatest efficiencies.

The most effective employee climate surveys ask questions pertaining to perceptions of diversity, welcomeness, trust, transparency, and fairness, etc. Note it is important to establish a baseline for these questions and track progress over that baseline.

Implementation from both strategic and tactic levels:
At strategic level: (1) Establish business-aligned diversity plans/goals, and systematically launch diversity programs/activities. (2) Integrate diversity into performance review, enhance commitment and involvement at all levels of management.
At tactic level: (1) Choose clear measurement forms to track diversity programs and activities. (2) Provide managers with coaching, education, and tools to help reach the goals. (3) Constantly review measurements and change them over time to ensure close alignment with business strategies and goals.

Appendix

Initiative	Metric	Business Impact	Area Affected
Multicultural Investments	• Money invested with minority- and woman owned funds	• Promote strong company brand • Competitive returns	•Enterprise-wide
Cultural Competency Training	• Percentage of employees who have completed training	• Promote strong company brand by understanding different population segments	•Enterprise-wide
Multilingual Capability	• Percentage of employees who speak languages in addition to English • Percentage of materials available in languages other than English	• Promote strong company brand by understanding different population segments • Increased market share	•Enterprise-wide
Multicultural Customer Satisfaction Index	• Percentage of customers satisfied with our products and services	• Promote strong company brand • Increased market share from the multicultural market	•Enterprise-wide
Diversity Index Gaps	• Differences among employee demographic segments	• Increased employee engagement and productivity	•Enterprise-wide
HR Recruiting/ Retention	• Differences among employee demographic segments	• Hiring and turnover savings • Employee satisfaction • Employer reputation and brand	•Enterprise-wide
Diversity Annual Report	• Reports printed and distributed • Languages used	• Promote strong company brand as an industry leader • Increased market share	•Enterprise-wide

Aetna#2

Aetna's Strategic Focus	Diversity Implications
»»Profitably grow market share and earnings »»Deliver superior medical quality and total cost management »» Achieve optimal expense structure through improved productivity to support growth »»Create customer value through innovation and technology »» Apply technology to create customer value »»Deliver best-in-class customer experience »» Foster compliance as a core competency »» Enhance our diverse, high performance culture and workforce	Build a workforce that understands the racial/ethnic, gender, sexual orientation and generational diversity of the marketplace »»Create an inclusive work environment that maximizes each employee's contributions and productivity »» Attract potential candidates to Aetna; choose from a broader and deeper pool of candidates »» Achieve criteria to bid on government and public-sector businesses »» Enhance workforce capabilities to address the needs of our multicultural/multilingual constituents »» Provide culturally appropriate consumer experience; design products and services to meet their needs »» Establish business relationships with organizations and local communities to support community-based marketing and sales »» Establish an infrastructure that supports sales and renewal efforts of employers »» Increase supplier diversity spending to fully leverage business opportunities at the local levels »» Link diversity metrics directly to enterprise scorecard

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