

Is there a business case for diversity? Yes, there is, and it can be demonstrated through measures that go far beyond participants' satisfaction. In fact, it's critical to make sure that behavioral changes are monitored so that the true business impact and return on investment can be proven.

What Gets Measured Gets Done

Achieving Results Through Diversity and Inclusion

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At a recent diversity and inclusion conference, an attendee came up to me and said anxiously, "I've just been given the job of diversity director in my company. During our first meeting, my CEO told me that he wants some proof that diversity produces business results. But how do I do this? I know that diversity makes an important difference, but I need to figure out how to demonstrate that in ways our leaders will support."

The challenge that this new diversity director faced is a common one as more and more leaders and

managers are asking for evidence of the business benefits associated with diversity and inclusion initiatives. Indeed, this has become one of the most common themes at diversity conferences and in related publications.

Diversity Versus Inclusion

Since the terms "diversity" and "inclusion" mean different things to different people, we begin by clarifying our definitions in order to avoid confusion. In my organization, Novations/J. Howard & Associates (NJHA), we define

diversity very broadly. *Diversity* is any dimension that can be used to differentiate groups and people from one another.

These dimensions can be visible or invisible and include gender, ethnicity, race, language, sexual orientation, age, educational background, and physical ability/disability. Although diversity always has important implications for organizations, such differences are neither intrinsically positive, nor negative. Instead, the impact of diversity on group dynamics and productivity varies significantly depending on how well such diversity is managed. This leads us to our definition of the term “inclusion.”

Inclusion is a state of being valued, respected, and supported. It is based on an organizational culture, management practices, and interpersonal relationships that support the full utilization of a diverse work force at all levels and in all functions of an organization. An inclusive environment strengthens everyone's capacity to commit full effort to the learning, performance, and development required for exceptional business results.

Managed inclusively, diversity can be a source of richness to an organization. Unmanaged, it often results in differential negative treatment, powerful emotions, and tension—at a cost to organizational effectiveness.

Based on these definitions, we use the term “diversity/ inclusion” to represent initiatives whose aim is to leverage the potential benefits of diversity through inclusive management practices and organizational policies.

The Challenges

Demonstrating the business benefits of diversity/ inclusion initiatives is a challenging undertaking. This is reflected in the lack of concrete examples and case studies documenting results—a situation that has led some to assume that the business case for diversity/ inclusion has no real foundation. This view gained much publicity through an article in *Workforce Management*, “Diversity's Business Case Doesn't Add Up” (Hansen 2003). The article was based on a review of a five-year research project undertaken by the Diversity Research Network and sponsored by BOLD (Business Opportunities for Leadership Diversity). This project documented the relationship between gender and racial diversity on the one hand and business performance on the other, using empirical data from four different companies (Kochan et al. 2002).

Consistent with its article headline, the *Workforce Management* review focused on quotes and examples

that cast doubt on the business case for diversity. In contrast, our reading of the entire research report left us with a very different, more optimistic perspective on the topic. To begin with, the research report makes a valuable contribution by clarifying the challenges associated with attempting to demonstrate bottom-line results of diversity/ inclusion initiatives. By understanding the challenges, we are in a better position to deal with them.

These challenges include:

- First, corporate bottom-line results like productivity, profitability, and market share are affected by many variables, both internal and external to the organization. Therefore, it is very difficult to determine the impact of a specific initiative—for example, diversity/ inclusion training—on such macro-level results.
- Second, even if such an initiative corresponds with an improvement in business performance, we can only describe this as an association or correlation, not a cause-effect relationship. This allows naysayers and skeptics to argue that we cannot be sure that diversity/ inclusion was the major cause of the improvement.¹
- Third, most companies and managers choose not to spend the time and resources necessary to track the impact of their diversity/ inclusion initiatives on business performance. Sometimes this is because the leaders are already committed to diversity/ inclusion and see no need to demonstrate what to them is a clear and obvious benefit. In other cases, there isn't a diversity champion or specialist with enough influence or resources to make this happen.
- Fourth, even if companies do want to demonstrate the benefits, many find that they don't have the data systems in place that would facilitate making the links between specific HR initiatives and business performance.

Although the results from the four companies studied did not find any direct cause-effect relationship between diversity and business performance, they did uncover some critical factors in the work environment that affect the impact of diversity.

Specifically, the data revealed that diversity was much more likely to have positive effects on business performance in work situations where: managers had acquired the skills necessary to promote teamwork and cooperation across differences; and interventions focused on the learning potential associated with

diversity backgrounds and perspectives. In situations where these environmental factors were absent, diversity had little positive effect and could prove disruptive.

Based on their findings, the researchers suggest reframing the general business case for diversity around the demographic reality that diversity is increasing in labor markets and customer markets and will continue to grow. They state, "Success is facilitated by a perspective that considers diversity to be an opportunity for everyone in an organization to learn from each other...[This] requires a supportive and cooperative organizational culture as well as group leadership and process skills that can facilitate effective group functioning... Organizations that invest their resources in taking advantage of the opportunities that diversity offers should outperform those that fail to make such investments." (Kochan et al. 2002, p. 34).

We now turn to what should be a major component of most diversity/inclusion initiatives and corresponding measurement strategies—the behavior change necessary to build and sustain an inclusive work environment.

Measuring Results Through Behavior Change

Our starting point is the well-known human resources program evaluation model put forth by Donald Kirkpatrick in 1998. His original model was designed to evaluate training interventions and consists of four levels of evaluation. More recently, others have added a fifth level reflecting the concern of corporate leaders with return on investment, including those in human capital (Philips 2003).

Level 5: Return on Investment.

Level 4: Business Impact.

Level 3: Behavior Change.

Level 2: Knowledge Gained.

Level 1: Participant Reaction.

Take, for example, an initiative that involves rolling out a diversity and inclusion workshop to all company managers and supervisors. Even if participants have a great experience in the workshop (Level 1) and leave with a much better understanding of diversity/inclusion (Level 2), nothing in the company will be different unless

the managers apply these inclusion concepts and skills in their daily work activities. In the final analysis, creating a culture of diversity/inclusion boils down to individuals demonstrating respect for diversity and practicing inclusion through their daily behavior. Only then will a culture of inclusion be internalized as "the way we do things around here."

Key measurement tools for documenting behavior change include 180°, 360°, and other types of feedback instruments. These measurement tools are particularly useful when employed both before and after specific interventions to demonstrate behavior change and target areas that still need improvement.²

Some companies and their leaders will view this type of data as sufficient

to demonstrate the positive results of their diversity/inclusion initiatives. Their professional opinion, often supported by personal experience and empirical observation, is that if "inclusive" behavior change occurs, more employees across all diversity backgrounds will develop and contribute to the bottom line. Since behavior change is key to creating an inclusive environment, this is a significant and valid approach to measuring the results of specific initiatives, such as skill-based training.

Other companies may want to go further to document the impact of their initiatives on specific business indicators (Level 4) and/or return on investment (Level 5). In these cases, behavior change (Level 3) must still be measured, since it is a critical variable that will affect both business performance and return on investment.

Diversity/Inclusion Initiative → Behavior Change → Business Impact

Case Study: Two Companies

Take, for example, two companies committed to building a culture of diversity/inclusion. Based on employee survey feedback about favoritism and unfair treatment, one of the first initiatives was requiring managers and supervisors to attend a two-day inclusion workshop. Since the executives in both companies wanted to see some concrete business results from their

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investment, they collected baseline data on two key business indicators, turnover and productivity, and looked for improvements beginning one year after training.

The first company attempted to find an association between the training—which was rated very positively by participants—and the business-related indicators. Unfortunately, despite the initial enthusiasm and commitment of participants, nothing much improved regarding turnover and productivity. Informally, managers and supervisors shared their frustration with what they perceived as organizational and cultural barriers to implementing new inclusion behaviors, but these issues were never formally acknowledged.

The second company added an important step to their evaluation process. They included a 360° feedback tool as part of the inclusion workshop so that participants could both evaluate themselves and receive feedback from others on their inclusion-related behaviors. Follow-up 360°s were administered a year after the training was completed. The value of this additional measurement step was multifold:

- First, going into the workshop, managers had concrete feedback that they could reflect on as the concepts and skills were presented. This feedback was enormously helpful in developing action plans to carry out after the workshop.
- Second, the feedback data provided the means for establishing accountability—documenting whether managers were actually following through with their action plans and behaving more inclusively according to their own accounts, as well as their supervisor, peers, and direct reports. It is important to note that the feedback data were positioned as valuable information for development and continuous improvement, rather than as a means to “punish” managers.
- Third, when sorted by division, the follow-up 360° feedback reports revealed that managers and supervisors in some parts of the company were having a difficult time implementing what they had learned in the workshop. Their willingness and commitment were met with organizational obstacles that were beyond the control of most managers—for example, a forced ranking performance management system. The company held a series of focus groups with a representative sample of these managers and supervisors to find out

what the organizational barriers were and took steps to remove them.

This is critical, for while diversity/inclusion training is necessary for building and sustaining a diverse and inclusive work environment, it may not be sufficient. There are important human resource policies and procedures that can either support or impede the implementation of inclusive behaviors. By focusing on behavior change and investigating barriers we can uncover those policies and procedures that must be modified in order to create a facilitating environment for inclusive behavior to flourish. These human resource systems include, but are not limited to: recruitment and selection, performance appraisal, reward and recognition systems, and promotion and advancement processes.

- Fourth, the company was able to document a positive correlation between the aggregate 360° feedback reports of managers and supervisors at the division level and key business indicators including productivity and turnover.

The importance of behavior change in diversity/inclusion management training is obvious. This is a key element of success in most types of diversity/inclusion training, as well as in other initiatives—for example, expanding diversity recruitment efforts, creating a diversity council, or establishing a succession planning process. Therefore, for any diversity/inclusion intervention we recommend the following:

- Decide which behaviors/competencies people need to acquire in order for you to achieve your diversity/inclusion goals.
- Provide the education, skill building, and coaching necessary to master those behaviors, and hold people accountable.
- Track behavior change through 180° or 360° feedback tools. This is sufficient if inclusive behavior change (Level 3) is the desired result of your intervention.
- If focusing on Level 4 or 5, show the correlation between documented behavior change and positive changes in organizational indicators related to diversity/inclusion that impact bottom-line business performance.

Outlining the Process

Many things need to happen to insure the success of a diversity/inclusion initiative. Figure 1 is a measurement

Figure 1

	What	Why	How
Planning	Step 1: Set relevant, realistic, and measurable goals.	To clarify “why we are doing this” and what success will look like.	Assess the current situation using existing data and data via surveys, focus groups, interviews.
	Decide what behavior change supports the goals and how to measure this.	Inclusive behavior is necessary for the success of most interventions.	Select appropriate tools to document behavior change.
	Determine if Levels 4 and/or 5 will be included in documenting results. -----	To reach consensus on success criteria and how to document them. -----	Calculate feasibility and costs/benefits of evaluating at Levels 4 and/or 5. -----
	Step 2: Establish accountability and ways to reward success.	“What gets measured gets done”; to legitimize diversity/inclusion as important business goals.	Link accountability to documented behavior change. Develop reward system consistent with organizational practices.
Implementation	Step 3: Monitor the implementation process.	To ensure that interventions will be implemented as they were designed.	Establish process “check points” and data sources. Monitor, make any necessary process adjustments.
Evaluation of Outcomes	Step 4: Document results.	To demonstrate that the intervention met its goals and success criteria.	Apply evaluation process developed in planning phase. Follow through with recognition/reward and continuous improvement.

grid that outlines the process that can be used to integrate measurement into your initiatives. A more detailed description of each step of the process follows.

Step 1: Set Relevant, Realistic, and Measurable Goals

“If you don’t know where you’re going, how will you know when you get there?”

One of the major errors that companies launching diversity/inclusion initiatives often make is to “move to action” without taking the time to understand their real issues and opportunities. As a result, time, money, and other resources may be wasted on the wrong interventions. This, in turn, can reinforce any skepticism that exists in the organization about the value of spending resources on diversity/inclusion.

Hence, the first step in any successful diversity/inclusion initiative is to assess the current situation with the objectives of targeting improvement opportunities;

developing realistic, measurable goals; and designing effective interventions.

Companies should begin their assessments by examining existing business and human resource data and then collecting additional data if necessary. In some instances, the issues and opportunities appear clear cut—for example, the company is experiencing excessive turnover among highly talented women; there are dysfunctional culture clashes between U.S. and non-U.S. employees in a global company; or the company perceives an opportunity to gain market share in an ethnic community.

But even here, the root causes of the opportunity/problem still need to be uncovered in order to develop effective solutions. This, in turn, often requires gathering additional data, either quantitative (for example, using surveys) or more in-depth data through qualitative tools such as one-on-one interviews and focus groups.

In cases where the symptoms are not apparent, a company may want to proactively initiate a diversity/

inclusion initiative, but not know where to begin. Here, too, you can employ assessment tools such as employee surveys, interviews, and/or focus groups, along with relevant organizational data to uncover existing strengths, as well as improvement opportunities.

Once the goals are defined, a company is ready to design appropriate interventions to achieve those goals along with corresponding measurement systems to document results. These results can focus on documented behavior changes that promote an inclusive environment (Level 3), on business impact (Level 4), and/or return on investment (Level 5).

The feasibility of demonstrating the direct business benefits or return on investment of diversity/inclusion initiatives depends on a number of interrelated factors including:

- Type of industry and transparency of factors that influence the bottom line.
- The current state of a company's data systems—both operational and human resources.
- The willingness of leaders to invest time, money, and resources to undertake such a measurement project.

During the planning phase it is the role of human resources and diversity/inclusion specialists to educate corporate decision makers about these challenges so that they can make informed decisions on defining results and success and the relative investment associated with each option.

Step 2: Establish Accountability and Reward Success

The title indicates, "what gets measured gets done." In today's hectic workplace, most employees have a full plate and then some. Requiring them to participate in new activities and, in many cases, change their behavior may be met with some resistance, even if they philosophically agree with the proposed interventions. It is for this reason that many diversity/inclusion initiatives lose momentum and never achieve the expected results.

Example: A company spent more than a million dollars sending all managers to a diversity and inclusion workshop. Although the workshop was well received and evaluated very positively, nothing much changed in the company in the following years.

When a new senior executive who championed diversity/inclusion joined the company, he pulled together organizational data to demonstrate that there was no correlation between a manager's 360° inclusion scores and formal recognition or rewards. He concluded

that managers were asked to change their behaviors, sometimes in significant ways, but they were recognized and rewarded for very different activities—primarily meeting traditional business goals.

To rectify this, he sponsored the system changes necessary to hold managers accountable for inclusive behavior by incorporating their 360° inclusion scores in evaluations of their performance and decisions related to advancement and compensation. This has revitalized the interest and even commitment to diversity/inclusion on the part of managers and individual contributors alike.

The lesson here is to establish responsibility and accountability along with appropriate recognition and rewards similar to any other important business issue. Develop the processes to facilitate this during the planning phase, so people understand that the company is taking diversity/inclusion very seriously.

Step 3: Monitor the Implementation Process

For any diversity/inclusion initiative, monitoring the implementation process should be an essential part of the measurement strategy. These types of measures are often referred to as process measures and include activities such as tracking the number of employees who attend a diversity/inclusion workshop or the number of times an assigned mentor meets with his/her "mentee". We can also view participant evaluations of an initiative (Level 1) as a process measure.

Process measures have been criticized when they are the only aspects of an intervention that are tracked. In such cases, they also may be equated with the success of an intervention to the exclusion of actual results—what the intervention was designed to improve or change.

While this is a valid critique, we should not make the mistake of "throwing the baby out with the bathwater." Many things can go wrong in the implementation process that affect whether or not it will be able to achieve the desired results. So, in the spirit of continuous improvement, define and monitor indicators of a successful implementation and use them to make corrections and adjustments when necessary.

Step 4: Document Results

If a company has successfully undertaken the first three steps, it will have an effective measurement process in place and documenting results should be relatively easy. Behavior changes that support an inclusive environment should be an integral part of

what is being measured—either an end result or an intervening variable that significantly affects the achievement of goals more directly related to the business.

To illustrate the latter, here are three broad business objectives that most companies share. Subsumed under each are the types of indicators to target in the goal-setting process and then monitor to document the positive impact of a successful diversity/inclusion initiative.

Winning the War for Talent:

- Recruitment.
- Retention/turnover.
- Advancement/promotion.

Maximizing Performance:

- Developmental assignments.
- Mentoring.
- Productivity.
- Efficient “on boarding.”

Capturing the Market:

- Customer satisfaction.
- Market share in “emerging” markets.
- Contracts awarded.

Each of these has important implications for bottom-line profitability, cost savings, and/or market expansion. As we have seen, drawing a direct cause-effect relationship between any diversity/inclusion initiative and bottom-line indicators is very difficult. But some companies can and have shown important associations that everyone but the most skeptical accept as valid.

Summary

Changing demographics and the process of globalization have made diversity a major focal point in corporate America. All of the existing data indicate that, if diversity is the issue, then inclusion is the answer—the answer that focuses on management practices and organizational systems that maximize the business contributions of all employees.

As you plan your diversity/inclusion initiatives, make every effort to integrate assessment and measurement into the each phase of the process. Of particular importance are relevant and feasible outcome measures, beginning with necessary behavior change. In today's results-oriented business world, this is the most

effective way to ensure that a culture of inclusion is established, sustained, and internalized as an integral part of the company's overall business strategy.

Footnotes

¹ Demonstrating cause-effect relationships in the classic “scientific” sense requires almost a “laboratory-type” setting in which most—if not all—of the variables affecting an outcome can be controlled. To our knowledge only one such diversity/inclusion-related study exists, and this study did, in fact, demonstrate the positive effects of diversity training on teamwork and productivity in the “experimental” group work setting. But the research study cost the company \$5 million to complete. (Company identity confidential)

² As with the “business case” for diversity/inclusion, recent publications have presented a negative view of such feedback tools, particularly 360° evaluations. (Kay & Pfau 2002). However, experts in the field have argued persuasively that the problems associated with 360° feedback result from poor planning and implementation rather than the technique itself. (Alter & Lowry 2003)

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