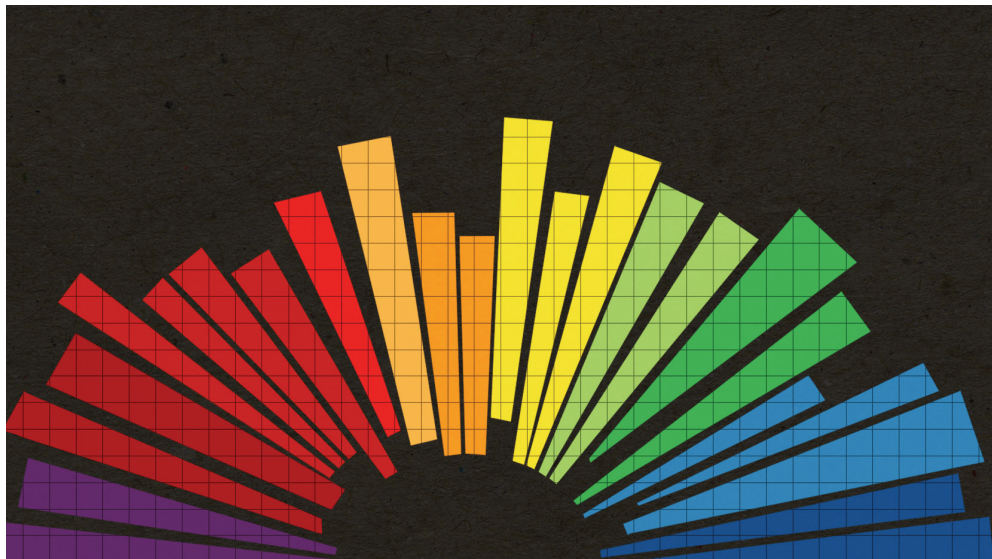




Diversity and Inclusion



7 Metrics to Measure Your Organization's DEI Progress

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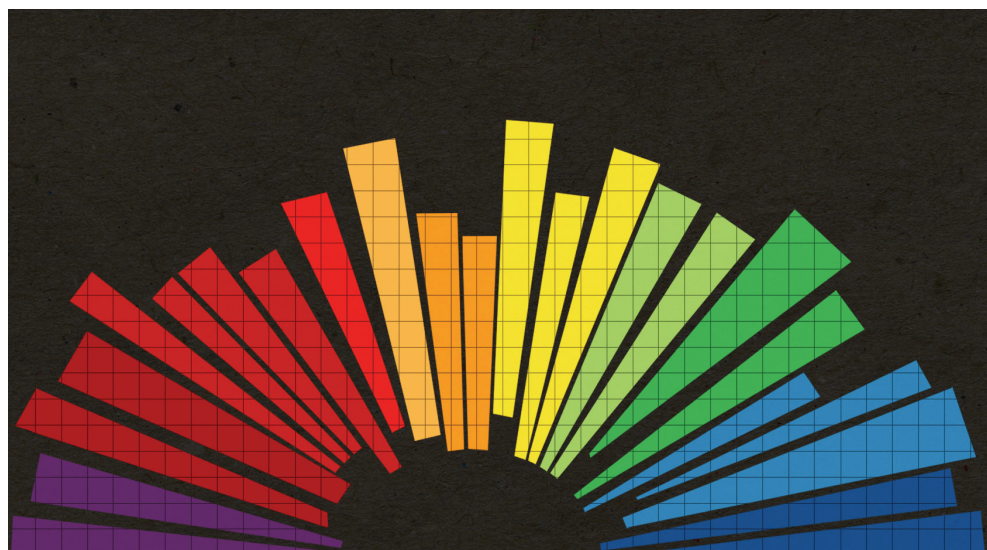
by **Lee Jourdan**

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Most leaders agree in theory that people should be given opportunities for development and promotion based on merit. But how can any organization ensure that's actually happening in practice? Employing the right metrics to benchmark and track are key to achieving a merit-based culture.

In my three decades of experience as an executive in the energy industry and now as an independent board director and advisor in tech and human capital management, I've found seven metrics — spanning

the entire employee life cycle — to be most useful for assessing progress towards a true meritocracy.

- Attrition
- Performance
- Promotions
- Leadership Pipeline
- Employment Pipeline
- Pay Equity
- Inclusion

You might notice that the first letters spell “apple pie” minus the “e.” That’s so it’s easy to remember and, since “pi” is a number, to enforce the quantitative nature of this exercise.

Note that within each metric, I’d expect companies to track various employee cohorts: differentiated as allowed by law, region, and culture. In the United States, that is, race, gender, ethnicity, and where appropriate other dimensions of diversity such as sexual orientation and veteran status.

Here’s a deeper dive into the data you’ll want to consider in each category.

Attrition

There are two subsets to attrition: voluntary and involuntary. So, you’ll want to track whether or not you are disproportionately losing or letting go of people from underrepresented groups. On the involuntary front, this includes testing for “adverse impact,” which U.S. law defines as “employment practices that appear neutral but have a discriminatory effect on a protected group.”

You'll also want to track voluntary attrition to see if it's as common among majority group employees as it is among underrepresented group employees. Or if it differs between the different underrepresented groups. This should include not only collecting hard data, and comparing it against your own and national averages, but also conducting exit interviews with all departing employees to figure out why they're leaving and whether bias or not feeling included had anything to do with it. The U.S department of Labor's [Bureau of Labor Statistics](#) provides attrition rates by industry for the US. In the UK, it's the [Office for National Statistics](#). These sources can help organizations benchmark and establish whether attrition is an area of opportunity to address. Attrition is a lagging indicator, meaning you don't know you have a problem until after the fact, but it can be a red flag – a warning sign that systemic bias exists.

Performance

[63% of corporations](#) still use an annual performance review process, and most assign a letter or a number to each employee. A process I refer to as subjective objectivity because the assignation of a score often fools us into believing that it's based on fact not opinion.

Here, you're looking for equal distribution of high and low ratings across all groups. For example, if one group is receiving a higher share of low ratings than their overall representation, or another group is receiving a higher share of high ratings than their overall representation indicates they should, this could be a sign of bias in the process.

Low performance ratings for a specific group over time could reveal bias not just in reviews about also access to opportunities to outperform. Performance results should be reviewed at the overall organization level, but also at the functional level such as within finance and sales. Performance ratings can be a leading indicator of promotion outcomes.

If this is the case, consider not relying on performance ratings when considering promotions, but on competency either measured or observed and demonstrated results that meet or exceed expected outcomes.

Promotion

Promotion rates should be assessed by pay grade, race, and gender, and again assessed for balance between different demographic groups. Are promotion rates balanced at the entry and junior level, and then skewed in favor of the majority at higher levels? Are certain groups seeing high proportion rates for technical jobs, but not in leadership positions? The more granular the analysis, the more likely organizations will uncover bias. If organizations believe they have achieved meritocracy, promotion rates across gender and racial lines should be relatively balanced. Transparency around promotions is the next step. For example, in the United States, Walmart shares promotion rates by race and gender in their annual [Culture, Diversity, Equity, & Inclusion](#) report, while Consolidated Edison shares it in their public [DEI Annual Report](#) over a five-year period. Joan Jacobs, VP learning and inclusion at the latter company, says “Transparency around DEI data is a way to lead by example. We are positioned to hold ourselves accountable to ensure our actions align with our words.”

Leadership pipeline

Many organizations have established future leaders' programs. These are typically the top 2-3% of performers in each function further delineated by pay grade. They have been tapped as up-and-comers and given stretch assignments that allow them to shine so they typically develop leadership capabilities more quickly, putting them on an accelerated career trajectory. This pool of high performers becomes the most senior leadership cohort 10, 15, 20 years in the future. So, if your leadership pipeline is not diverse you've essentially locked in a

non-diverse senior executive team for the future. Selection of future leaders includes performance and promotions, both of which are subject to bias.

An organization's leadership pipeline should reflect the representation of the workforce at a minimum but should also reflect what leadership will look like when diversity objectives are met. For example, if the goal is to have a C-Suite that is staffed with 45% women, then the leader pipeline should be 45% women. Succession plans and future leader programs should reflect the representation goals of the organization.

Employment pipeline

New hire diversity is an oft-used but lagging indicator of how your employment pipeline is working. We count heads as they come in the door. But that's the end of the hiring pipeline. The real work is done prior to that. For a more holistic view of the effectiveness of hiring practices, organizations should assess the entire pipeline, starting with applications, then interviews, offers, and acceptance rates.

Of those that apply, what percent of each affinity are offered interviews? Is that percentage the same regardless of race and gender? If for example, X percent of white males that apply receive interviews, are we seeing the same success rate for candidates of color and women? Of those that receive interviews, what percentage are receiving offers? Again, does this vary by gender and race? And lastly, of those that receive offers, what percentage accept the offer? Low acceptance rates from specific groups could be a red flag about company culture. What happened on the site visit? Did they see people that looked like them? Did they feel like they had a community?

Pay equity

“Pay equity” and “pay gap” are two different analyses. Pay equity exists when employees are receiving the same pay for the same work regardless of how individuals identify. Pay gap is the delta in average compensation between two groups regardless of the types of jobs that make up that average. While pay gap is important from a societal perspective and may highlight how different cohorts have access to different careers, it includes many variables that are not controlled by hiring organizations such as education paths, personal career decisions, attraction to certain industries, and regional impact. By contrast, the factors impacting pay equity such as starting salary, pay adjustment policies, and pay reviews, are almost always under the control of organizations. A common trap is to pay based on tenure as opposed to competency. Pay structure should be a function of performance.

Testing for pay equity and sharing the results and/or actions to address shortfalls is one of the quickest ways to build credibility and support claims of fair and equitable treatment of employees.

Third party vendors such as [Factorial HR](#) and [Rework](#) provide guidance to do this kind of analysis in house. However, bringing a third party in and then sharing the results provides an added layer of credibility.

Inclusion

If diversity is counting heads, inclusion is making sure every head counts. It's becoming much more common for organizations to try to measure the employee experience – including the strength of manager relationships, a sense of belonging to one's peer group, and access to influential networks — and thanks to the use of data analytics and behavior-based algorithms it's now evolving into more science than art. Some organizations choose to add inclusion questions to more general HR surveys, using platforms like Qualtrics or Culture Amp,

while others will use dedicated, algorithm driven DEI platforms such as Pulsely which not only measure how inclusion varies amongst different identities, but measure inclusive behaviors of supervisors and managers. For example, SEI, a technology and investment solutions firm uses these algorithms to assess the equity of workplace experiences, while, Convergent, a renewable energy company, also leverages data science to assess the inclusion competence of their leaders, placing them at the forefront of inclusivity.

Which path your organization takes is a function of what you are seeking to accomplish and when. Some questions to consider:

- Are we ready to learn why employees feel they don't belong, or is it enough now to just understand which groups feel disenfranchised?
- Can we act on findings that show our supervisors lack inclusive behaviors?
- Am I using a platform that is flexible enough to evolve as the science evolves?
- Are my inclusion metrics on par with my diversity metrics?

We know that what gets measured gets done. We also know that transparent data provides one version of the truth and helps organizations determine priorities. These seven metrics, once established and benchmarked, can provide an accountability framework to demonstrate the success of DEI programs. It is rare to find any organization currently utilizing all these metrics, but all should aspire to.

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Lee Jourdan is an independent corporate, private, and non-profit board director, and he serves as special advisor to FTI Consulting. Previously, he served as the global chief diversity and inclusion officer at Chevron and as vice president commercial and business development for its IndoAsia and Asia South business units. Lee is an author and keynote speaker and was in 2020 recognized by Business Insider as one of 100 people transforming business in North America.