



## *Measuring the Impact of Workplace Diversity Initiatives*

**FACT:** Few organizations (14%) measure the ROI of their diversity practices.

<i>Sample Diversity Metrics</i>			
<i>Performance Category</i>	<i>Metric</i>	<i>Criteria</i>	<i>Purpose</i>
Career Development	Diversity Promotion Rate	Number of culturally different employees promoted/total number of promotions	Tells how effective you are at advancing the careers of culturally different employees
Coaching and Mentoring	Diversity Mentoring Rate	Number of culturally different employees with a mentor/total number of employees with a mentor	Tells how effective you are at getting culturally different employees into formal mentoring relationships
Employee Recruitment	Candidate Pool Diversity Percentage	Number of culturally different candidates/total number of candidates	Tells how effective you are at increasing the diversity of candidate pools
Employee Retention	Turnover Rate	Number of terminated employees/average employee population	Tells how effective you are at retaining employees
Employee Selection	Diversity Hire Percentage	Number of culturally different hires/total number of hires	Tells how effective you are at hiring culturally different candidates
Human Resource Development	Performance Change Rate	Performance appraisal score after training/performance appraisal score before training	Measures the impact of training and education on job performance

Source: Holmes, T.A., How to connect diversity to performance. *Performance Improvement*, 44, 5, 13 – 18.

Many intangible variables are linked to diversity results. Monetary values can be established by following five basic steps to get the benefit cost ratio:

1. Identify a unit of measure that represents a unit of improvement.
2. Determine the value of each unit.
3. Calculate the change in performance data.
4. Determine an annual amount for the change.
5. Calculate the total value of the improvement.

$$\text{DROI \% (diversity return on investment)} = \frac{\text{diversity initiative benefits}}{\text{diversity initiative cost}} \times 100$$

*(Same basic formula used to evaluate other investments in which ROI is reported as earnings divided by the investment)*

Example: The initial cost of a diversity awareness program may be \$50,000. The measurable value of the program is determined to be three years. During a three-year period, this program will have a net savings of \$30,000 (\$10,000 per year). Since the average book value is approximately half the cost, the average investment in this case is \$25,000 (\$50,000 div. by 2). The average ROI = annual savings/average investment (\$10,000/\$25,000) = 40%

<b><i>Typical Intangible Variables Linked with Diversity</i></b>	
Attitude Survey Data	Employee Transfers
Organizational Commitment	Customer Satisfaction Survey Data
Climate Survey Data	Customer Complaints
Employee Complaints	Customer Response Time
Grievances	Teamwork
Discrimination Complaints	Cooperation
Stress Reduction	Conflict
Employee Turnover	Decisiveness
Employee Tardiness	Communication

Source: *The Diversity Scorecard: Evaluating the Impact of Diversity on Organizational Performance*

According to a recent SHRM *Workplace Diversity Practices Survey Report*, organizations are measuring the impact of a number of diversity initiatives. The most common diversity initiatives measured are:

- The number of diverse employees recruited – 89%
- The number of diverse employees retained – 75%
- Whether diversity is evident at all levels of the workforce – 72%

Also measured are important drivers of diversity management:

- Improved corporate culture – 53%
- The client/customer diversity base – 46%
- Increased organizational competitiveness – 33%