Episode 4: Show me the data – Measuring and monitoring your I&D progress

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JOHN BREMEN: I don't think that I&D is a social policy issue. I think that we are best served treating I&D as a company performance issue. Organizations that do this simply fare better financially and deliver higher returns to shareholders.

JOHN JONES: Hi. Casting from New York, just a few steps from the World Trade Center, this is Eye on I&D, a podcast series brought to you from the human capital experts at Willis Towers Watson. We designed this series with a single focus – to help you, our colleagues in HR, and those passionate about inclusion and diversity, explore the hottest and perhaps uncomfortable topics in I&D. Why? So you can help your employees and colleagues bring their best and whole selves to work each day.

I'm John Jones, leader of Willis Towers Watson's talent business in North America and your podcast host. I'm thrilled to be joined in our studio by three distinguished panelists, as we take on the topic of measuring and monitoring I&D progress. Let me introduce my fellow podcasters. First, Chris Moreland, Chief Inclusion and Diversity Advocate at Vizient – Vizient is a Dallas-based health care performance improvement organization. Welcome, Chris.

CHRIS MORELAND: John, thank you so much. I'm happy to be here.

JOHN JONES: Next, Shankar Raman, Senior Director at Willis Towers Watson, focused on organizational transformation and digitalization, and leader of our High-Tech Industry group. Thanks for joining us, Shankar.

SHANKAR RAMAN: Thank you, John. I'm delighted to be here.

JOHN JONES: And once again, we are also joined by John Bremen, one of Willis Towers Watson's foremost thought leaders on the future of human capital, purpose-driven organizations, and the modernin – modernization – I always trip on that one, John.

[LAUGHTER]

Modernization of HR. Great to have you here.

JOHN BREMEN: Thanks, John. It's always great to be with you.

JOHN JONES: Terrific. So a quick note, all bios of our podcasters, in complete form, can be found at willistowerswatson.com/inclusion. All right, well let's get started.

I'm going to start with a story. A couple of years ago, I was meeting a client for the first time. And the CHRO brought me into what he kind of had as a war room around data. And the four walls of the room had big, poster-sized indicators. A lot of graphics went into this, around all the things they were measuring, around their teams and around human resources.

And it was impressive. And I asked, why are you monitoring all this? How did you determine exactly what to measure? And he said, well, these are the things that are important to my CEO. And I thought, boy, that's kind of interesting. Because I don't think the CEO tells the CFO what to measure or monitor. So thoughts on that?

SHANKAR RAMAN: And so yeah, that's an interesting point, John. And it's not uncommon to what I have seen with many of the clients that I have worked with. They tend to start off well-intentioned, look at a number of metrics that they want to start tracking. We find from our experience it's important to create a hierarchy of metrics that normally inform as to where you are on your I&D initiatives, but also allow you to make thoughtful decisions.

JOHN JONES: So as board of directors are now discovering, culture and inclusion and diversity issues, as they face talent challenges, they're asking for data. And they're looking for information. Is HR today equipped to give the board the types of things that they need or want or are looking for? And I think that's some of the challenges as to the disconnect between what's going on on the ground and what's happening on the board.

CHRIS MORELAND: So two things – one, having metrics that you, one, don't really understand or believe yourself, I think can actually drive behaviors that you're not even aware of are going to be the outcome of that. If you begin to measure something, individuals will begin to change their behaviors, based on what those metrics are. So being really informed and intentional about metrics, I think, is important.

When it comes to inclusion and diversity itself, the one thing that you can measure is diversity. So if we separate those two terms, the thing that you understand clearly is that you can absolutely measure outward signs of diversity. And it goes back to things like gender and things like veteran status, or things like ethnicity. Those are very measurable.

The harder thing to put metrics around are the environment that you've created, which is the inclusion part. Having a diverse organization which is not inclusive, I think is actually more harmful than not having diversity at all. Because diversity in and of itself is very disruptive.

It does not create harmony. It is disruptive to the normal thought patterns and trends and everything else of a homogeneous organization. Creating a culture of inclusion first and understanding how the diversity is going to be embraced first, almost precedes any opportunity of measuring progress around objective things like diversity.

So I think, just in saying the words inclusion and diversity is already implying that inclusion precipitates diversity. And a measurement that most people are trying to get at – through the boards, through senior leaders, and everything else – is the diversity. But it is only in place and effective as a result of creating the culture, the infrastructure, the environment, so that it will be embraced. And thus, it will actually create more value.

JOHN JONES: So is it a culture play?

JOHN BREMEN: You know, John, it is a culture play, but it's not only a culture play. And I think we've seen a sea tide change in the perspective of boards on this topic in recent years, in the last few very recent years. I think because it's become a topic that's more interesting to investors.

And what's happened is we're seeing a convergence of interest right now between investors, customers, and employees, around the notion of sustainability of organizations. Sustainability has become a really big word lately. And a lot of people attribute it to sort of the environmental aspects of sustainability. But sustainability really just means the ability for an entity to continue to have endurance for a long time. And sustainable financial performance is something that investors have been interested in for a long time.

I think there's kind of a new definition of sustainability now. And as it relates to human capital or sustainable human capital, culture is a huge piece of it. We see culture, leadership, and then overall the talent's experience, the talent value proposition, are kind of the dimensions of it. So it's culture-plus. ESG metrics, environmental social and governance metrics, have become quite popular as the standard of measurability.

JOHN JONES: My follow-up question to that then is, do boards actually know what they need to know? I mean, are they asking the right questions and getting into the right data?

CHRIS MORELAND: If we think about metrics, and we think about what the board is there to do, and we think about what ultimately is going to be the driver of results for an organization, I think the focus should be more on leading indicators versus just the traditional lagging indicators, which are, a lot of times, the diversity indicators. Some of the more leading indicators might be things that point to 360 evaluations of leaders within the organization.

A leading indicator might be, what is the amount of turnover within an organization, and why is it actually happening? Another leading indicator might be, what does the pipeline of opportunity look like? What are our customers saying about us, consistently in social media or just through our hotline? What are employees saying about us on Glassdoor?

There are so many new and evolved ways of looking at an organization, from a cultural lens that might tip us off to what is happening as a leading indicator, versus relying on the traditional, more lagging indicators, which by the time they're served up to a board level, it's almost like the end score of a game. It's a little too late to make midcourse corrections when that's the data set that you're looking at.

JOHN BREMEN: To that point, Chris, I think what we're seeing is boards, grossly oversimplified, are falling into a few different categories on the adoption lifecycle. There are some boards that are simply saying, you know, we're just not into this. This is just not part of who we are and what we're doing. Now, those are few and far between today.

There are then many, many boards that are looking at this as a checkbox exercise, a compliance exercise. This is not a compliance exercise. Because the uplift that companies are looking to get from it are undermined by a compliance mindset. Chris, to your point, we all can show statistics showing progress in certain areas that, if they don't actually cause the change we're looking for, will not drive performance.

And then there's the third group, really, that do understand this, that are now looking deeper. And what's fascinating to me is, the first round of metrics that they were looking for were those lagging indicators that we've discussed. The organizations really pushing on those leading indicators, but those more substantive ones, looking at pipeline, looking at future, looking at employee engagement, looking at employee well-being.

But perhaps the most important indicator that they now understand is looking at the business outcomes that come from this, as well. This isn't just about the inputs. This is about the outcomes. This is about customer retention and engagement.

This is about growth of revenues. This is about penetration of markets. This is about segmentation and demographics. This is about financial growth, ultimately, and value creation. So ultimately, that full chain is part of the calculus.

JOHN JONES: Switching topics a little bit, as an organization, as leadership in the C-suite decide, hey, we're going to spinoff an organization, we're going to acquire a business, or we're going to basically churn things up – maybe it's even, we're going to rework half of it. Where do those metrics, and where does data play in the I&D space?

I think we've all been a part of M&A initiatives where due diligence doesn't necessarily touch on the things like culture or kind of I&D. It's usually about the financials, and usually about who's going to run the place when the split-off or acquisition occurs. How do we look at this data and metrics to make a difference in that space?

JOHN BREMEN: From my perspective, John, I think this goes back to your core question about the role of culture in all of this. The role culture plays in organizational compatibility and fit and transactions is tremendous. When you look at the types of cultural attributes that are important in an inclusion and diversity setting, things like an environment of belonging, things like psychological safety, things like respect and dignity, agility, appropriate risk-taking, you kind of go through this list, and you say, how measurable are any of those, per se? And I think we can look at things like employee engagement, we can look at things like productivity, we can look at well-being.

But ultimately, the measures of those are outcome-based, to Shankar's earlier point. So it's a matter of looking, I think, at the fit between all these different indicators and the business outcomes that are driving that. That ultimately are the greatest signs, and then the whole host of qualitative assessment criteria that we haven't really talked about, as relates to some of these cultural elements, as well.

SHANKAR RAMAN: The company's context is extremely important, right? So take, for example, the situation many West Coast companies have found themselves in, where there have been a number of cases of bad culture existing out there. So if I was a board member there, I would be asking different kinds of questions. On the other hand, if I was a board member on a company that has fairly advanced I&D practices, I would ask different kinds of questions. But at the very minimum, there are a few things that board members, for my experience, we should be asking.

One is, do we have some of those lagging metrics? Even though they're lagging, those are baseline metrics. How are we tracking on those, board members should be asking. And then the other thing that I find increasingly companies are looking at is something called a diversity and inclusion index. It's a fairly sophisticated metric that companies are beginning to track. Using a device like that could actually be very helpful for board members.

JOHN JONES: So what's part of that index? What's in that index?

SHANKAR RAMAN: So it's a combination of your existing lagging metrics, as well as opening a second engagement survey that gets people's responses on multiple dimensions. Do they feel like they have a voice? Do they feel like they're able to trust their leaders?

Do they feel that they have psychological safety, those kinds of things. There are different versions of it. But at the core of it, it's getting into a combination of factual information, as well as private data collected through a survey.

JOHN JONES: We talked in some of our earlier podcasts around the lack of need to really argue the business case as much as we used to, right? The business case around I&D, it's more accepted today than it was maybe five, 10 years ago. It's still out there, particularly for boards. They need to understand that pushing this in the organization and really making a difference is going to affect the bottom line. They need a little more, I don't want to say convincing, but they need constant data to prove it out. Is that fair?

JOHN BREMEN: I don't know if it's always convincing. I think sometimes it might simply be confirmation of their fiduciary responsibility. However, as I've said before, I don't think that I&D is a social policy issue. I think that we are best served treating I&D as a company performance issue, because that's a lowest common denominator. Organizations that do this simply fare better financially and deliver higher returns to shareholders.

In general, that's all the board needs to focus on an issue. I think we're living at a bit of a pivotal time today. Whereas five years ago, boards may have needed a lot of convincing, maybe today they need some validation of it. It is very possible, given the trajectory, that this will become an assumption five years from now. And then we can move on to the next.

SHANKAR RAMAN: John's right. I think we are at a pivotal moment. There are many boards that are realizing that I&D makes a ton of business sense. At the same time, data seems to suggest that not enough boards realize that. So in a study where the ISS governance group basically shows that only 22% of board members right now are female board members. The US lags behind most European companies in the diversity of their boards.

So there are two issues that I see that need to be addressed. One is creating more diversity among the board members themselves also. And the next is helping board members understand that diversity is good for the organization below them. The bigger challenge for a board right now is figuring out, how do we create more diversity amongst ourselves? And that's where I think boards have to step up a little bit more than what they're doing right now.

One of the cautions we always provide in our consulting work, and everything, like there was an interesting article that came out of the Harvard Business Review last week, about how – don't let the numbers drive you. In performance management, you don't want to get stuck on the numbers. And so metrics are important and metrics-type behavior, no doubt. But making sure you have the right conversations with those metrics is more important than the actual metrics themselves.

And that's what I think companies are struggling with. How do I make sure we have the right conversation at the board level, at the CEO level? How do we hold up a mirror to ourselves? Because the biggest challenge for most organizations is, how do you have truth speak to power? How do you have honest conversations about these issues? And so to the extent where boards can facilitate that, leaders can facilitate that kind of environment, I would actually err on the side of, just have a few metrics that spur those conversations. But have the right conversations.

JOHN JONES: I think that's a perfect spot to end, as we think about the ongoing conversation. This podcast has been about conversation and personal connections, our topic today being data. And ultimately, we come down to the fact that we still have to have the conversation.

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Thank you, Chris, for joining us.

CHRIS MORELAND: Thank you, John.

JOHN JONES: Thanks, John.

JOHN BREMEN: Thank you, John.

JOHN JONES: Thanks, Shankar.

SHANKAR RAMAN: Thank you, John.

JOHN JONES: That concludes today's podcast. We thank you listeners for joining us, and we look forward to next time.

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