

# MAKING CHANGE



Creating a Business-Aligned  
Diversity Scorecard

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Catalyst is the leading research and advisory organization working with businesses and the professions to build inclusive environments and expand opportunities for women at work. As an independent, nonprofit membership organization, Catalyst uses a solutions-oriented approach that has earned the confidence of business leaders around the world. Catalyst conducts research on all aspects of women's career advancement and provides strategic and web-based consulting services on a global basis to help companies and firms advance women and build inclusive work environments. In addition, we honor exemplary business initiatives that promote women's leadership with our annual Catalyst Award. With offices in New York, San Jose, and Toronto, Catalyst is consistently ranked No. 1 among U.S. nonprofits focused on women's issues by The American Institute of Philanthropy.

**Catalyst's *Making Change* series is designed to give business leaders new perspectives on common workplace issues.**

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part of the Catalyst *Making Change* series

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MAKING CHANGE

## Using a Diversity Scorecard to Enhance Organizational Change

If you picked up this publication, your organization has probably already taken steps toward addressing diversity and inclusion in its workforce and culture. Whether you've implemented a full diversity strategy and are well on the road to organizational change or you're in the preliminary stages of securing senior leadership commitment and rolling out a few pilot programs, a diversity scorecard can help your organization reach its diversity goals. A diversity scorecard helps an organization by providing a quick, easy-to-understand tool that measures the progress of its diversity efforts and keeps champions and managers accountable for progress and change.

This edition of Catalyst's *Making Change* series will provide you with the basic steps you need to develop a diversity

scorecard that will help you monitor your organization's progress and performance around diversity. In addition, this guide will give you a better understanding of the links between your organization's diversity strategy and its overall business strategy.

## What Is a Diversity Scorecard?

A diversity scorecard is a carefully selected set of objectives and measures derived from an organization's overall business strategy and linked to its diversity strategy. It provides a snapshot of progress and performance around a company's internal categories—such as workforce representation and statistics, workplace climate, and HR program usage—as well as external categories—such as customer and community partnerships, marketing, and supplier diversity.

It should be noted that a diversity scorecard is not a complete measurement system of an organization's diversity strategy, nor does it provide every piece of information an organization needs to consider in creating its effort. Instead, a diversity scorecard is meant to highlight and track key measures and objectives of an organization's diversity strategy and activities.

### Why Use a Diversity Scorecard?

Organizations that create and utilize diversity scorecards as a means to measure and monitor their diversity initiatives do so for a number of reasons:

- ◆ To obtain clarity, consensus, and direction around the diversity strategy
- ◆ To identify the change drivers and levers of organizational performance related to diversity
- ◆ To set diversity goals and objectives

- ◆ To prioritize initiatives linked to the diversity strategy
- ◆ To better understand the links between diversity and the overall business strategy
- ◆ To communicate progress and status to a wide audience of stakeholders, including senior leadership, program managers, and the overall employee population
- ◆ To ensure progress of an organization's diversity strategy by integrating accountability into the measurement tool

### Five Steps to Creating a Diversity Scorecard

#### 1. IDENTIFY THE AUDIENCE

The first step in developing your organization's scorecard is identifying the relevant audience. The audience for your diversity scorecard should be determined by the level at which your organization has chosen to concentrate its change activities or where it hopes to advance and/or

accelerate change. For example, if your diversity strategy is focused on the role and influence of leadership upon the diversity journey, it makes sense to design your scorecard for an audience that will include the CEO, President, or Executive Committee. For an organization focused on institutionalizing processes and policies that promote inclusion, the diversity scorecard audience should be defined as senior- to mid-level program and business managers within one or more business or functional units.

The audience and organizational level for which you design the diversity scorecard influence not only the metrics that will be tracked, but also the implementation process for the diversity scorecard and any other localized scorecards. Designing the scorecard for the Executive Committee makes it easier to develop subsequent lower-level/regional scorecards that are consistent in design. Scorecards designed for one business unit or functional area, such as marketing and sales, can serve as the testing ground so you can refine

## The Role of the Scorecard Owner

No role is more critical to the success of the diversity scorecard than that of its owner. The owner is not only responsible for leading the initial design of the scorecard and its implementation process, but also for the ongoing review, maintenance, communication, utilization, and periodic re-evaluation of the tool.

Before you begin designing the scorecard, ask yourself and your organization the following questions: Who will own the scorecard? Who is its sponsor or champion? Who will maintain the scorecard?

The owner of the scorecard can be any number of individuals in your organization. Typically, ownership is held by a senior-level manager or executive within a company's HR function. However, ownership can also be held at the business line level or even at the senior executive level. It

the effort before the scorecard is rolled out to other parts of the organization.

In addition to determining the ultimate metrics to be used in the scorecard, defining the audience is a critical first step because it also establishes how accountability for progress is assigned and executed. Accountability at the Executive Committee level is significantly different from accountability for senior managers and business unit managers.

The senior manager and business unit level accountability may tie into your organization's performance management and compensation programs. No matter how you build accountability into the scorecard, creating a tangible consequence for achieving—or not achieving—progress is critical to the success and perceived value of the scorecard.

all depends on how your company uses the scorecard and who has the resource capabilities to ensure its continued maintenance.

The ideal diversity scorecard owner should possess the following traits:

- ◆ Influence: Exposure to the final end user
- ◆ Access: Authority to access privileged HR data
- ◆ Resource Bandwidth: Time to physically update the scorecard or a team that can update the tool

Knowing who will own your organization's scorecard will help you determine how often the scorecard will be reviewed, what systems and resources you will need to sustain and support it, how the metrics will be revised/updated based on organizational change, and what the desired outcome of the review process will be.

## 2. REVISIT THE DIVERSITY STRATEGY AND THE BUSINESS CASE

Before moving forward with the design of your scorecard, it's good to step back and revisit your diversity strategy and business case. The goal of the scorecard is to understand the rate at which your organization is changing and then help accelerate that process. Therefore, you want to make sure that what you track holds true to the diversity strategy and business case. For example, if one of your strategic areas of focus includes advancing and retaining women in senior management, one of your organizational goals will be to increase the rate at which women are promoted to senior management. But by how much? This leads us to the second component of revisiting the diversity strategy—mapping goals for inclusion in the scorecard tracking process.

Building diversity and inclusion in your organization is an ongoing process, and your organization needs a destination in order to bring clarity and a sense of purpose to individual initiatives. By mapping your goals, you also begin to understand and develop a sense of the rate of progress that is acceptable for your organization. Keep in mind that your organization's goals will be heavily dependent on where your organization is on the diversity life cycle. A company that has a committed CEO and President and a performance management system designed to fully incorporate dimensions of diversity may have goals that seem impossible for an organization that is still trying to get a sense of its representation numbers. The following scenario is an example of goal setting and its consequences. It also provides examples of questions an organization can ask while setting its goals.

### A Retail Company:

Scorecard Goal: Women encompass 45 percent of Level 2 employees.

Level 1 = CEO, President, and Senior Vice President

Level 2 = Vice President to Senior Director

To determine whether 45 percent is the right goal for the organization, the company should be asking:

- a. Is this a critical goal or just a nice goal to have?
- b. Is 45 percent a long-term goal? What short-term goal will help us achieve this goal?
- c. What performance drivers will help the organization reach 45 percent? Does the career planning and development process support the promotion of women? Is the implementation skewed to dominant groups/men?
- d. What measurements will indicate an increased representation of women at Level 2? Will rates of promotion reveal an increase?

e. What are the barriers to achieving 45 percent?

Attrition of women? Informal networks that influence promotion decisions?

f. What changes in employee behaviors and attitudes need to be made?

### Green, Yellow, Red: What Is Progress?

Metrics are only numbers until you assign significance and parameters for progress to them. Only your organization can determine what progress looks like. In some companies, a 2-percent increase in diverse individuals within senior management is a significant sign of progress; for others, 2 percent may be a sign of deceleration. Determining the acceptable parameters for progress can be determined by:

- ◆ Your organization's historical growth and change rates
- ◆ Industry benchmarks
- ◆ Attainment of goals set by management or other governing entity
- ◆ Forecasted rates of change in your organization's population

- g. Is the diversity function providing the organization with diversity management competencies and behaviors necessary to achieve these objectives? If not, what needs to change?

The crucial outcomes of this step include understanding the value that diversity creates for the organization, prioritizing diversity goals, and establishing a framework for achieving those goals.

### 3. DETERMINE THE CATEGORIES OF THE SCORECARD

Once you have identified the scorecard audience and have revisited the diversity goals for your organization, the next step is to establish the categories to be tracked. The categories should reflect your organization's diversity goals as well as provide measurable data on the progress and impact of your organization's diversity initiatives both internally and externally.

#### Internal Categories to Consider

- ◆ Talent Management—How successful has our people effort been as it relates to recruiting, retention, advancement, development, attrition, etc.?
- ◆ Inclusion—How inclusive is the working environment?
- ◆ Engagement with Diversity—How many employees are involved with or touched by diversity programs?

#### External Categories to Consider

- ◆ Market Opportunities/Sales—What has been the revenue impact of targeted niche markets that are linked to diversity?
- ◆ Vendor/Supplier Diversity—What percent of business has been awarded to minority vendors/suppliers?
- ◆ Recognition—What awards have been won?

Once you have determined the appropriate categories for your diversity scorecard, keep in mind that these categories should be used consistently across the organization. If business units or functional areas have their own unique scorecard categories, it will be difficult to aggregate data or even ensure that the different areas of the organization are focused on the same overall diversity goals.

For an executive diversity scorecard, wherever possible, you will want to build your scorecard as a cohesive high-level strategic plan that maps the goals and programs of the entire enterprise and its vision for diversity.

#### **4. IDENTIFY THE METRICS TO BE USED**

If your organization currently does not have any metrics in place, you should review Catalyst's *Making Change* series on "Using Metrics to Support Workforce Diversity," which will

help you develop a framework for determining the types of metrics your organization should consider using.

If your organization is already utilizing certain metrics to monitor and measure specific diversity initiatives, you first need to review those existing metrics, determine the ones that are important to continue to measure, and insert those into the appropriate category on the scorecard. Metrics can include representation, promotion rates, attrition rates, program participation numbers, the number of training programs in place, etc.

Next, you will want to identify additional metrics that 1) are linked to the key success drivers of your organization's diversity strategy or 2) are fundamental to the organization's diversity mission.

To determine whether you have the appropriate metrics on your scorecard, consider the following:

- ◆ Do these measures make sense? What story can they tell me about the diversity of the enterprise?
- ◆ Will data on these metrics help you plan and manage diversity initiatives better?
- ◆ Can data for these metrics be consistently collected? Do you have the resources to gather the data?
- ◆ Can you foresee any problems with any of the metrics?
- ◆ Do the metrics link back to the organization's vision and key success drivers?

When selecting metrics, it is often helpful to include both implementation or process metrics as well as results metrics.

- ◆ Implementation or process metrics (also called leading metrics) measure the extent to which the action steps called for by your diversity strategy are being carried out

on schedule. Examples include: Number of diversity workshops being developed, percentage of women and people of color who indicate they have a mentoring relationship.

- ◆ Results metrics (also called lagging metrics) measure the results of the process and programs instituted by your organization. These are the numbers that will move in response to effective implementations. Examples include: rates of promotion, rates of attrition, attendance rates at training programs, and employee survey results.

By including both implementation and results metrics, your organization develops an understanding of both what is driving change and what change has occurred.

## 5. DEVELOP GUIDELINES AND PROCEDURES FOR COLLECTING DATA

Once the metrics for your diversity scorecard have been finalized, you will need to develop guidelines and procedures for the way data will be collected on these metrics. Here are some criteria you may want to consider:

- ◆ How the metric will be calculated
- ◆ Methods that will be used to collect the data for the metric
- ◆ The systems that will need to be in place in order to aggregate and archive the data for the metric
- ◆ The frequency for which the data for the metric will be collected, reviewed, and reported

The key here is to establish guidelines and procedures that will create consistency across the organization with respect to data collection and calculation. The specific guidelines and

procedures will be determined by who owns the scorecard, how frequently the scorecard will be reviewed, and the availability of data. If one of your metrics relies on a satisfaction survey that is executed every two years, your ability to renew the data will be influenced by this schedule.

## Implementing the Scorecard

The successful adoption of the diversity scorecard will be determined as much by how it is introduced and implemented within your organization as by its design. Your implementation strategy will largely be influenced by the specific cultural and organizational design dimensions of your firm or company. A highly decentralized company may choose to initially launch the diversity scorecard in one or two highly visible business units and hold off on an organization-wide launch until the tool has proven itself. A more centralized and integrated organization might find it

more effective to launch the scorecard across all business units but limit reach to two or three work levels.

Communication of the diversity scorecard is also a key component to the tool's success. Ideally, senior management will play a large role in introducing and then advocating the scorecard's use and impact.

### **Maintaining the Scorecard**

Just as an organization adapts over time to the changing competitive environment, so too must it adapt and refine its diversity scorecard over time. Metrics that were once critical may become obsolete or unnecessary in the changing business landscape. Regular evaluations of the various components of the diversity scorecard will ensure that the diversity scorecard is up-to-date and relevant for the organization's current diversity goals. The owner of the

scorecard plays a critical role in the ongoing maintenance of the scorecard.

### **Diversity Scorecard in Action: Sodexo Case Study**

With more than 110,000 employees in 8,000 U.S. locations and a limited HRIS system, Sodexo faced a formidable challenge when it chose to create a diversity scorecard in 2002. The scorecard's strategic goal was and continues to be the acceleration of diversity goals across the organization's management level, which includes more than 18,000 individuals. The development of the diversity scorecard effort was significantly bolstered by having a strong and committed owner, Sodexo's Senior Vice President and Chief Diversity Officer, and the sponsorship of the company's CEO and SVP of Human Resources.

## Components of the Scorecard

Sodexo's diversity scorecard is based on a 1,000-point system assigned to four categories of metrics—Recruitment, Promotion, Retention, and Qualitative Elements (which include participation in training and diversity councils). Scores for Recruitment, Promotion, and Retention are calculated using sophisticated formulations that compare internal representation rates to external population measures. Qualitative Elements is a category added after the launch of an earlier version of the diversity scorecard and is manually calculated by tracking the individual diversity-related activities of the company's managers and division leaders.

Rather than measuring progress from an internal baseline of representation, Sodexo chose to measure progress against external benchmarks. One benefit of using external

benchmarks rather than internal baselines is that a company can set targets and goals that are not limited by historic performance.

Sodexo reviews the design of its scorecard on an annual basis and the results on a quarterly basis. In addition to reassigning the weight of the four metrics categories to better address business needs, the company also reviews the continued relevance of each metrics to the company's business needs.

## Implementation and Communication

The original scorecard was launched with three metrics categories—Recruitment, Promotion, and Retention. Qualitative Elements was added to give managers a category that they can immediately and directly own and influence. To increase acceptance, Sodexo closely aligned the company's

affirmative action activities into the scorecard. Execution of the company's affirmative action programs has a direct impact on achieving the scorecard targets.

Communication was a complex matter due to the company's size and geographic diversity and the sensitive nature of the data. The scorecard is shared with senior-level managers on a quarterly basis; these managers help drive the messages in their organizations.

### **Accountability**

Accountability was always a critical component of Sodexo's diversity scorecard. Ten to fifteen percent of managers' and 25 percent of senior leadership's bonuses are directly linked to the rate of progress on the diversity scorecard. To further demonstrate the company's commitment to diversity and the scorecard, the CEO has committed to pay the bonuses

regardless of the overall company's financial performance. While aligning the diversity scorecard with compensation aided in the quick adoption and utilization of the tool, it also posed a minor risk to the change process. Some managers resisted the scorecard because they felt they were not given enough time to familiarize themselves with the scorecard before they were measured and held accountable to it. To avoid this risk, Sodexo recommends companies delay linking compensation to scorecard performance. Establishing an "education period" during which managers use the scorecard without impacting their compensation can help enhance understanding and reduce the perceived risk of the new tool.

## Progress

Since its inception in 2002, Sodexo's diversity scorecard has had a significant impact on the organization. In addition to bringing more focus and attention to the organization's overall diversity initiatives, the scorecard has also increased the accountability and ownership of these initiatives by the company's managers and senior leadership. The company has recently experienced a rush of industry and professional attention and recognition for its diversity scorecard. It is a best practice in measuring the impact of diversity and accelerating the change process within an organization.

## In Summary

A diversity scorecard can help your organization reach its diversity goals by providing a useful tool that measures the progress of diversity efforts and keeps managers accountable. In developing a successful scorecard for your

organization, you'll need a clearly defined audience and scorecard owner, as well as a clear link to your organization's overall business case for diversity. You'll also need to establish the appropriate internal and external categories to track and the metrics and guidelines that will help you do so. Finally, careful planning around the implementation, communication, and maintenance of your organization's diversity scorecard will help you make the best of the tool in achieving your diversity goals.

## Catalyst Can Help

Catalyst offers a variety of services and resources that help companies and firms attract, retain, and advance women:

- ◆ Informal consultation with Catalyst issue specialists about company practices, Catalyst research findings, and advice on your diversity strategy
- ◆ Admission to Catalyst's Member Site with access to free PDFs of Catalyst research, information specific to employee resource groups, and much more
- ◆ Opportunities to participate in regional diversity events
- ◆ Opportunities to participate in Catalyst's Member Benchmarking Service, an annual service that provides the information companies and firms need to assess their progress on diversity
- ◆ Access to exclusive Catalyst material, ready to publish in newsletters or on your intranet
- ◆ Access to Catalyst Services, including a range of strategic diversity consulting services and Catalyst Spectrum,<sup>SM</sup> a web-based strategy development tool\*
- ◆ Access to Catalyst's Corporate Board Services, a central resource for member companies looking for recommendations for qualified women interested in (public) board service
- ◆ Preferential rates and access to Catalyst speakers through our Speakers' Bureau, which provides articulate and authoritative experts from Catalyst's senior staff and members of Catalyst's Research and Advisory Services teams\*

- ◆ Access to the Catalyst Information Center, the premier clearinghouse for information on women and work, and its team of professional librarians, who produce quality responses to information requests
  - ◆ Subscriptions to Catalyst's monthly newsletter, *Perspective*, for you and colleagues you designate
  - ◆ Three complimentary printed research publications of your choice upon membership initiation
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- \*Additional fee required

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