

Chapter 2

Metrics, Accountability, and Transparency: A Simple Recipe to Increase Diversity and Reduce Bias

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SUMMARY

The best organizational research shows that the magic recipe for achieving diversity is no different from the steps necessary to achieve other business goals. In order to change behavior, firms must develop appropriate goals and metrics, share them

with stakeholders, and embrace accountability for outcomes. In the case of diversity, this means firms must collect diversity data and analyze them by examining flows over time and comparing them to similar organizations.

KEY FINDINGS

Advantages of collecting and analyzing diversity data

- Keeping track of personnel transitions allows firms to see where diversity problems are—recruitment, hiring, promotion, pay, and/or retention.
- Collecting relevant metrics allows firms to develop diversity goals and make timelines for reaching them.
- Keeping track of discrimination complaints and outcomes helps firms to develop routines and practices to restore dignity, demonstrate commitment to equal opportunities, and save on the cost and trauma of legal solutions.
- Transparent metrics allow stakeholders to hold top management accountable for outcomes.

Pitfalls of collecting and analyzing diversity data

- Counting diversity numbers but not analyzing the data or comparing to peer organizations leaves firms without information on where their problems are or how to fix them.
- Making diversity numbers transparent without clear plans to address disparities may incur pressure from internal and external stakeholders.
- Metrics, plans, and goals that are not transparent will be limited in their effectiveness as stakeholders cannot hold decision makers accountable.
- Though discrimination complaints can provide an opportunity for accountability and transformation, complaints can also put firms on the defensive and derail attention from good-faith efforts to change.

Research on diversity from a variety of disciplines shows that the most effective way to improve diversity and create bias-free workplaces is to assess current diversity levels, identify disparities, and develop concrete strategies for addressing them. Once metrics and goals are in place, they should be made transparent to stakeholders, who should be empowered to hold decision makers accountable for making progress toward a diverse and fair workplace.

Collect, Count, and Compare

Firms reveal what outcomes they truly value through the data they collect and analyze. It is hard to imagine a firm that does not track and analyze its sales, for instance. But simply collecting data is not enough: the information must also be analyzed and shared with others. Hiding important statistics in a drawer suggests something is not working well and no action will be taken to fix it.

The simple recipe for managing diversity, then, is to develop metrics, make them transparent, and hold people accountable, just like for any other outcome of interest, be it profit, sales, or market penetration. Treating diversity differently from other organizational goals leaves the firm vulnerable to consulting fads, symbolic actions, and slow or no progress.

What metrics are useful when it comes to diversity? Companies should collect composition data—gender, race, ethnicity, age, disability, etc.—at the job level. This will permit analysis of flows of hiring, promotions, terminations, and departures by category at the job level. Firms already keep detailed pay data, and they should analyze pay gaps both within and between jobs. Finally, to identify systemic problems in the workplace, firms should keep records on internal and external complaints of discrimination, bias, and harassment as well as managers' responses.

Establish Goals and Accountability

Once firms have diversity data, they must use them to identify problem areas and personnel bottlenecks. Firms should identify shortfalls relative to local labor markets, peer firms, and corporate aspirations. With this information, they can then begin drafting goals for increasing diversity or decreasing discrimination. Leaders should ask the same questions they might ask about capital investment or market position: "Where do we want to be in the next 12 months? What about five years out?" If metrics identify gender and racial disparities at the managerial level, then set a goal for increasing representation to match local labor market levels and a timeline for reaching the goal. For instance, if you are a finance firm in New York and 30 percent of your senior analysts are women while other finance firms in the area are at 40 percent, then a sensible goal would be to increase the representation of women in senior analyst positions to 40 percent over the next three years. An even more ambitious goal would be to achieve 50 percent in

five years. If you find that discrimination complaints or troubling climate survey responses occur more in particular work groups or departments than in others, then prioritize managerial improvements in those groups/departments.

Next comes accountability: who should be monitoring the firm's progress towards its diversity goals? One strategy is to empower a diversity officer or assemble a diversity task force that will track diversity numbers, identify gender and racial disparities, and devise hiring and promotion plans for addressing them. Alexandra Kalev, Frank Dobbin, and Erin Kelly show in their landmark study of diversity policies that such accountability structures lead to clear improvements in the representation of white women, Black women, and Black men in management.¹ The reason? Once it is someone's full-time job to monitor diversity and inclusion in the company, that person will help the company make progress toward its diversity goals. If no one is accountable, change is unlikely.

Involving managers at all levels to take ownership of diversity goals is an even more desirable accountability strategy, and it is much more effective than threatening them with legal action or treating diversity goals as distractions from core business goals. One approach to making this happen is to convert diversity officers and HR departments from compliance police to business partners.² A second is to convert line managers' resistance to diversity initiatives to ownership by involving them in creating transparency, developing metrics and, of course, the personnel decisions necessary to meet diversity goals.³

We also know that companies change due to external pressure from the courts or markets.⁴ For example, in a study of nearly 500 race and gender discrimination lawsuits resolved in the U.S. federal courts, in the rare cases where the legal resolution included mandates to establish accountability structures, including diversity metrics and timelines for reaching them, firms posted gains in the representation of white women, Black women, and Black men in management for up to five years after the legal resolution.⁵ Undesirable forms of external accountability, such as national media attention and drops in stock price associated with discrimination complaints, also lead to long-term gains in diversity.⁶ But most firms would prefer to lean in on diversity metrics via internal accountability structures rather than being pushed by courts or social movements.

1 Alexandra Kalev, Frank Dobbin, and Erin Kelly, "Best Practices or Best Guesses? Assessing the Efficacy of Corporate Affirmative Action and Diversity Policies," *American Sociological Review* 71, no. 4 (2006): 589–617.

2 Kurt W. Sandholtz and Tyler N. Burrows, "Compliance Police or Business Partner? Institutional Complexity and Occupational Tensions in Human Resource Management," in *The Structuring of Work in Organizations*, ed. Lisa M. Cohen, M. Diane Burton, and Michael Lounsbury (Bingley, UK: Emerald Group Publishing Limited, 2016), 161–191.

3 Frank Dobbin, Daniel Schrage, and Alexandra Kalev, "Rage Against the Iron Cage: The Varied Effects of Bureaucratic Personnel Reforms on Diversity," *American Sociological Review* 80, no. 5 (2015): 1014–1044.

4 Kevin Stainback and Donald Tomaskovic-Devey, *Documenting Desegregation: Racial and Gender Segregation in Private Sector Employment since the Civil Rights Act* (New York: Russell Sage Press, 2012).

5 Elizabeth Hirsch and Youngjoo Cha, "Mandating Change: The Impact of Court-Ordered Policy Changes on Managerial Diversity," *Industrial and Labor Relations Review* 70, no. 1 (2017): 42–72.

6 Elizabeth Hirsch and Youngjoo Cha, "For Law and Markets: Employment Discrimination Lawsuits, Market Performance, and Managerial Diversity," *American Journal of Sociology* 123, no. 4 (2018): 1117–1160.

Make Processes and Outcomes Transparent

Transparency can serve as a powerful foundation for accountability. Metrics and goals need to be visible to be viable. As Emilio Castilla describes, transparency can be implemented in two steps. First, organizations can make certain employment *processes* transparent so that employees are made aware of “how things are done” within the organization. What are the criteria for making hiring, promotion, salary, and bias complaint decisions? Who makes these decisions? What steps or processes are used to arrive at a decision? Indeed, in his study of one company’s merit-based pay system, Castilla found that simply providing senior managers with data on how their pay decisions compared to others helped managers hold themselves accountable and reduce pay disparities by gender, race, and birth nationality.⁷

Second, organizations can make the *outcome* of their decisions transparent to stakeholders so that both individuals within the organization (i.e., employees) and external audiences (e.g., regulators, the public) can assess demographic patterns and disparities.⁸ Companies that submit employment diversity data (EEO-1 forms) to the U.S. Equal Employment Opportunity Commission (EEOC) already track the *outcome* of hiring, promotion, and job assignment decisions by collecting and reporting composition data to the EEOC. Recently, 26 major Silicon Valley tech firms, including Airbnb, Cisco, Facebook, and Google, went a step further by releasing their EEOC employment diversity reports to the public, allowing internal and external stakeholders to observe progress⁹ and benchmark levels relative to other tech firms.¹⁰ Companies that do not submit EEO-1 forms could create and release such reports themselves.

The EEOC could do more to help firms achieve diversity outcomes by helping them to analyze their data. For instance, the EEOC could send companies reports on their diversity ranking relative to other firms in their industry and local labor market. The EEOC could also develop a simple tool that allows firms to compare themselves to other employers in their city and industry. And the EEOC could generate a best-practice pay gap calculator so that companies would not have to invent their own.¹¹ Firms could ask more of the EEOC in supporting their transparency and accountability efforts, perhaps leading to less time in the courtroom.

7 Emilio J. Castilla, “Accounting for the Gap: A Firm Study Manipulating Organizational Accountability and Transparency in Pay Decisions,” *Organization Science* 26, no. 2 (2015): 311–333.

8 Emilio J. Castilla, “Achieving Meritocracy in the Workplace,” *MIT Sloan Management Review* 57, no. 4 (2016): 35–41; Adam D. Galinsky et. al., “Maximizing the Gains and Minimizing the Pains of Diversity: A Policy Perspective,” *Perspectives on Psychological Science* 10, no. 6 (2015): 742–748.

9 Sinduja Rangarajan, “Here’s the Clearest Picture of Silicon Valley’s Diversity Yet: It’s Bad. But Some Companies Are Doing Less Bad,” *Reveal News*, June 25, 2018, <https://www.revealnews.org/article/heres-the-clearest-picture-of-silicon-valleys-diversity-yet/>.

10 Donald Tomaskovic-Devey and JooHee Han, “Is Silicon Valley Tech Diversity Possible Now?” Center for Employment Equity, University of Massachusetts Amherst, June 2018, <https://www.umass.edu/employmentequity/silicon-valley-tech-diversity-possible-now-0>.

11 Some prototype data visualizations using EEOC private sector firm data are now available at the Center for Employment Equity at <https://www.umass.edu/employmentequity/diversity-analytics>.

Listen to Internal Complaints to Learn What Is Broken

Both external stakeholders and employees play an important role in establishing accountability and transparency. External pressure is often more visible, as community activists pressure firms to diversify their workplaces along many dimensions, including gender, race, ethnicity, and sexual orientation, and make those workplaces welcoming for everyone. As one example, the #MeToo movement has brought to light the pervasive and destructive impact of sexual harassment. These external pressures are often mirrored internally by status-based advocacy or support groups that pressure employers to take a stand. A striking example was the 2018 global walkout of Google employees over executive mishandling of sexual harassment.¹²

For the most part, firms have not responded warmly to this pressure. Research on firms' legal strategies in response to discrimination lawsuits suggest that many companies attempt to isolate and vilify employees who speak up about discrimination and harassment, often encouraging them to quit or firing them.¹³ As a result, these employees tend to leave quietly, rather than help managers learn how to improve their workplace. For example, a study of all sexual harassment complaints to the U.S. Equal Employment Opportunity Commission between 2011 and 2016 estimated that 70 percent of workplace sexual harassment targets never told anyone at work, much less HR or managers; among those that filed complaints with the EEOC, 68 percent faced employer retaliation of one sort or another, and 64 percent lost their jobs during the process.¹⁴

Managers may be tempted to see legal complaints or lawsuits as irritations or in extreme cases as crises and go on the defensive, but a more productive approach to complaints is to harness them as organizational learning opportunities.¹⁵ All too often, the response to concerns of bias and discrimination is to use non-disclosure agreements and monetary incentives to hide the allegations and expel irritating employees. But there is an alternative approach. Companies can instead learn from the information on diversity shortfalls, high turnover among women or minority staff, and complaints of poor treatment. Firms should use complaint resolution as an opportunity to develop new routines and practices to reinforce diversity and morale. It is well established that business innovation and performance require managerial practices that nurture organizational learning.¹⁶ Of course, many businesses fail to learn

12 Daisuke Wakabayashi, Erin Griffith, Amie Tsang, and Kate Conger, "Google Walkout: Employees Stage Protest Over Handling of Sexual Harassment," *New York Times*, November 1, 2018, <https://www.nytimes.com/2018/11/01/technology/google-walkout-sexual-harassment.html>.

13 Vincent Roscigno, *The Face of Discrimination: How Race and Gender Impact Work and Home Lives* (New York: Rowman and Littlefield, 2007); Ellen Berrey, Robert L. Nelson, and Laura Beth Nielsen, *Rights on Trial: How Workplace Discrimination Law Perpetuates Inequality* (Chicago: University of Chicago Press, 2017).

14 Carly McCann, Donald Tomaskovic-Devey, and M.V. Lee Badgett, "Employers Responses to Sexual Harassment," Center for Employment Equity, University of Massachusetts Amherst, December 2018, <https://www.umass.edu/employmentequity/employers-responses-sexual-harassment>.

15 Lynn Perry Wooten and Erika Hayes James, "When Firms Fail to Learn: The Perpetuation of Discrimination in the Workplace," *Journal of Management Inquiry* 13, no. 1 (2004): 23–33; Erika Hayes James and Lynn Perry Wooten, "Diversity Crises: How Firms Manage Discrimination Lawsuits," *Academy of Management Journal* 49, no. 6 (2006): 1103–1118.

16 Daniel Jiménez-Jiménez and Raquel Sanz-Valle, "Innovation, Organizational Learning, and Performance," *Journal of Business Research* 64, no. 4 (2011): 408–417.

and eventually fail to thrive or survive. If your business is not making progress on creating a diverse workforce, it is likely because you haven't included diversity among your core business goals and so you are failing to learn.

Policy Advice

Even in the absence of regulatory pressure from governments or social movements, many firms continue to embrace the idea of equal opportunity because they value diversity, fairness, and respectful workplaces. While many have made the case that diversity is good for business, what the research increasingly shows is that achieving diverse and respectful workplaces requires incorporating diversity into standard business practices. It is as simple as setting goals, developing transparent metrics, and holding people accountable for moving toward those goals. Involving managers at all levels to count, compare, and take ownership of diversity goals is an effective recipe to increase diversity and reduce discrimination.

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