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NAVIGATING DEI AND BUSINESS METRICS

How do organizations determine the KPIs for their performance, and the performance of their staff? There are many theories and approaches which have much to say about the most efficient method to develop an organization's key performance indicators (KPIs).

Most agree on the first step, which centers on the following: to structure KPIs based on measures that directly contribute to the organization's objectives. Organizational KPIs must measure the overall performance of the organization, and these may translate into business goals to track the success of individual business units, or individuals.

Recently, we have seen the emergence of organizational strategies to promote areas associated with diversity, equity and inclusion (DEI). The formal goals of such strategies and organizational frameworks are to promote the fair treatment and full participation of all people, but particularly groups who may have been previously underrepresented or subject to discrimination on the basis of their identity.

The risk associated with transforming these initiatives into accurate organizational strategies and measurable business strategies may not be immediately evident. When developing an organization's development strategy, for example in the case of a sales-oriented business, it will be important to focus on strategies that may increase customer satisfaction, maintain quality, increase conversion of sales, streamlining the delivery process, etc. These targets can be transformed into individual targets or KPIs at the level of the individual, business unit, and the entire organization.

One of the risks is that companies may find it difficult to evaluate the business impact of DEI strategies and determine which contribute most to their proclaimed business targets. When determining DEI-related strategies, the relationship with business targets may be harder to identify. For example, the effect of promoting diversification of the workforce or diversity training may be difficult to link directly to a specific business target. If DEI initiatives are not implemented thoughtfully and strategically, and closely linked to business objectives, they can result in tokenism, where the focus is on meeting diversity quotas rather than creating meaningful business change. This can undermine the credibility of the organization and its commitment to true inclusivity.

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Another significant risk is the diversion of company resources. Employees focused on diversity training may gain additional interpersonal skills, learn about the treatment of underrepresented groups, or unknown biases, and gain a different understanding of these issues. When evaluating which initiatives to allocate precious internal resources to, the organization must keep in mind the internal cost associated with all such initiatives, and the hidden cost of untaken alternatives.

Implementing DEI initiatives often requires substantial investment in terms of time, money, and personnel. This can divert resources away from other critical business areas, potentially impacting overall performance and profitability. For example, extensive training programs, and developing new policies and procedures can be very costly and time-consuming. If not managed properly, these efforts can strain the organization's resources and detract from its core business objectives. Therefore, it is crucial for companies to balance their DEI efforts with their overall strategic goals to ensure that they are both effective and sustainable.

Developing strategies to achieve an organization's business goals, including measurable outcomes, may be efficiently done with the involvement of external consultants. When hiring external consultants, executives should ensure that these consultants have a deep understanding of the company's business objectives. These strategies will surely include specific business KPIs, and strategies on how to help employees develop the competencies they need in order to achieve these business KPIs.

When developing a plan to put to work limited company resources and to ensure it is done efficiently, a prudent approach would be to ensure there is a tangible link between all initiatives and business targets. Promoting an atmosphere of true openness and measurable goals will enable a company to innovate to achieve the highest efficiency with the limited resources available. Initiatives focused on diversity, equity and inclusion may complement employee development programs. But it may be beneficial to remember to properly balance such initiatives and to keep in mind that any external consultants must have a deep understanding of the company's business objectives.

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