CHAPTER B – Strategic Value of DEI

What this is:

The strategic value of Diversity, Equity and Inclusion.

Why is matters:

A business strategy with Diversity, Equity and Inclusion at its core generates differentiated value for a company and increases the return on investment from dollars spent on DEI initiatives. DEI is not only a social justice obligation; it can be a business tool to amplify the strategy and success of an organization. Studies have shown that diverse companies tend to be more profitable than industry peers. And the Harvard Business Review noted that businesses that integrate purpose and DEI values into business strategy are successful and able to redefine their businesses.

Content:

Performance, profitability and success stem from organizational health, or the ability to align around a clear vision, strategy, and culture; to execute with excellence; and to renew the organization’s focus over time by responding to market trends. Many companies see DEI as a social obligation to improve engagement or strategically align with external parties. This perspective imposes an unnecessary limitation on the intrinsic value of DEI to an organization. A business strategy that views diverse voices and perspectives as necessary raw material to advance business success both accomplishes business objectives and is more likely to generate positive social impact and sustained change.

4 Diversity during COVID-19 still matters | McKinsey
5 Put Purpose at the Core of Your Strategy (hbr.org)
A DEI-inclusive strategy improves employee performance. Just as companies have been criticized for greenwashing, a company that claims to value DEI but that has business objectives or internal operations that ignore DEI implications will erode morale and undermine employee trust in management. An organizational culture that manifests inter-company values in business execution correlates to positive behavior and better business performance as it inspires employees to overcome hurdles and obstacles to business execution and drive positive change.

DEI-driven management practices result in resilient companies with differentiated value. Healthy organizations do not merely learn to adjust themselves to their current context or to challenges that lie just ahead; they create a capacity to learn and keep changing over time. An organization that weaves diverse voices into management practices thinks outside the box, innovates, and stands ahead of the competition in creating differentiated value.

Tailor initiatives to build signature strengths. Many companies are unwilling to revamp company policies and initiatives with a DEI lens because they assume the resulting financial impact will erode business success. To demonstrate DEI values, some companies instead make charitable contributions to provide social benefit. But improving racial equity is a marathon, not a sprint, and no one company can do it all. The most impactful approach to DEI is to take the time to identify connected interests and relationships among multiple stakeholders to align DEI initiatives with strategic purpose.

Deliver on your plan and regularly measure your success. Once a company articulates the value of diverse voices and perspectives for business success and evaluates those business practices and operations that may hinder their objectives, the company can include metrics and targeted actions into the annual plan. Solving complex problems takes time. A company that takes time to benchmark annual progress and drive a program of continual improvement will persevere in both business and social justice.
Links to Other Resources

Diversity during COVID-19 still matters (McKinsey)
Put Purpose at the Core of Your Strategy (hbr.org)
Beyond Performance: How Great Organizations Build Ultimate Competitive Advantage (Wiley, June 2011)
Organizational Health: The Ultimate Competitive Advantage – Blogging on Business (bobmorris.biz) Put Purpose at the Core of Your Strategy (hbr.org)

Organizational Health: The Ultimate Competitive Advantage – Blogging on Business (bobmorris.biz).
7 Put Purpose at the Core of Your Strategy (hbr.org)
8 Organizational Health Index | McKinsey & Company