

How to Connect Diversity to Performance

by Tyrone A. Holmes, EdD

According to a study facilitated by the Society for Human Resource Management (SHRM) and *Fortune* magazine (2001), more than 75% of surveyed organizations have engaged in some type of diversity activity or initiative. Whether it is diversity recruitment, training and education, community outreach, or diversity-related career development, more organizations than ever emphasize diversity as a core element in their business practices. Unfortunately, relatively few of these initiatives have had a substantial impact on overall performance (Hayles & Russell, 1997). One reason for this lack of success may be the failure to connect diversity programs to organizational performance systems and processes such as strategic planning, performance management, compensation, and human resource development (Cox, 2001). This article identifies five steps that must be taken to systematically connect a diversity initiative to organizational performance:

- Clarify the benefits of the diversity program
- Identify SMART goals
- Develop action plans
- Define performance expectations
- Evaluate impact on performance.

Clarify the Benefits of the Diversity Program

The first step in the implementation of a performance-focused diversity initiative is to identify the specific benefits to be derived from the program. In other words, what does the organization have to gain by implementing a diversity initiative? How will the initiative help the organization achieve its strategic goals? What benefits can employees reap from participation in the diversity program?

It is not prudent to proceed with any type of program until the benefits that will be gained and the value that it will provide for the organization have been clearly defined. Generally speaking, the benefits accrued from diversity programs can be divided into three main categories: improved individual and organizational performance, enhanced customer service, and improved organizational bottom-line (for example, see Cox, 1994; Cox & Beale, 1997; Hayles & Russell, 1997; Kossek, Zonia, & Young, 1997; SHRM & *Fortune*, 2001).

Improved individual and organizational performance refers to measurable increases in employee productivity and work quality, enhanced team performance, improved organizational processes, and enhanced workforce quality. It also includes an increased ability on the part of the organization to recruit and retain the best human resources available (Adler, 1986; Cox, 1994; Cox & Beale, 1997; Kossek et al., 1997; Nemeth, 1985; Ziller, 1972).

Enhanced customer service refers to an increased ability to connect with and successfully serve a diverse customer base (Cox, 1994; Schreiber & Lenson, 2001). This can be reflected in improved sales in multicultural markets, reduced customer complaints, and increased market share. It also applies to internal customers, such as employees, and can be reflected in terms of improved attitude and morale. This is of particular importance in culturally diverse organizations, where there can be vast differences in employee perceptions and satisfaction levels.

Improved organizational bottom line refers to increased revenues, reduced costs, and enhanced organizational value and profitability. This can be reflected in a variety of organizational measures such as increased sales, stock value, and retention (especially among under-represented group members), reduced cost per hire, and decreased turnover. It can also be reflected in a reduction in racial and sexual harassment and associated legal costs (Cox, 1994; Cox & Blake, 1991; Cox & Beale, 1997; Hayles & Russell, 1997).

In addition to clarifying the benefits, it is important to be mindful of the potential costs of a diversity program. The study facilitated by SHRM and *Fortune* (2001) identifies several potential costs and problem areas:

- Increased expectations that may not be met
- Significant financial cost
- Significant use of staff time
- Resentment on the part of some staff
- Ineffective diversity training and education
- Increased interpersonal conflict among employees.

Hayles and Russell (1997) emphasize that the resources required (e.g., time, money, and organizational commitment) for a successful diversity program will vary from one organization to the next. However, they point out that the key to effectively managing the costs and minimizing these potential problems lies in the planning process. Organizations that proactively identify opportunities (i.e., specific benefits such as enhanced customer service or improved bottom-line), develop goals, devise a strategy to achieve those goals, and create quantifiable indicators of success will be more successful

CHARACTERISTIC	DESCRIPTION
Specific	The goal is precise and stated in performance terms.
Measurable	It is easy to determine if the goal has been met.
Achievable	The goal is set high, but is attainable.
Relevant	The goal is tied to organizational performance needs.
Time Bound	The goal has a specific time frame for completion.

Figure 1. SMART Goal Characteristics.

at managing diversity program costs and reducing the occurrence of these problems.

Identify SMART Goals

A goal is a statement of a desired end state (Brennan, 1989). It specifies where one wants to be at a given point in the diversity initiative and provides a means to evaluate progress. Effective goals should be written with the SMART goal method. SMART is an acronym that describes the five characteristics of a well-written goal: specific, measurable, achievable, relevant and time-bound (Brennan, 1989; Nilson, 1989). Figure 1 provides a brief description of each of these characteristics.

Using the SMART method provides two benefits. First, it ensures that the objectives of the diversity program are well defined and unambiguous. Because SMART goals are clear cut, it reduces the chance there will be confusion about the main purpose of the diversity initiative on part of the organization's stakeholders (e.g., employees, customers). This is especially important because the two factors that most determine whether goals are accomplished are the extent to which they are specific and reasonable and the extent to which individuals are supported in their pursuit of those goals (Locke et al., 1981; Robbins, 1993). Second, because SMART goals are clear and concise, it is easy to determine whether they have been accomplished, which makes it easier to assess progress toward goal achievement on an ongoing basis.

The following model can be used to write an effective SMART goal, "By the end of _____, we will _____, as demonstrated by _____." The first blank is used to specify the goal completion date (time bound). The second blank is used to describe

BENEFIT AREA	SMART GOAL
Improved Individual and Organizational Performance	By December 31, 2005, the quality of employees within the manufacturing division will improve, as demonstrated by a 10% increase in the quality hire metric used to assess overall performance.
Enhanced Customer Service	By September 30, 2005, the company will improve service to multicultural markets, as demonstrated by a 25% decrease in customer complaints from stores in ethnically diverse areas.
Improved Organizational Bottom Line	By March 31, 2006, retention for female employees at the management level will improve, as demonstrated by a 15% decrease in the turnover rate for women at grade 15 and above.
Improved Organizational Bottom Line	By June 30, 2006, the company will increase sales to multicultural markets, as demonstrated by a 15% increase in sales revenue from select ethnic target groups.

Figure 2. SMART Goal Examples.

PERFORMANCE CATEGORY	METRIC	CRITERIA	PURPOSE
Career Development	Diversity Promotion Rate	Number of culturally different employees promoted/total number of promotions	Tells how effective you are at advancing the careers of culturally different employees
Coaching and Mentoring	Diversity Mentoring Rate	Number of culturally different employees with a mentor/total number of employees with a mentor	Tells how effective you are at getting culturally different employees into formal mentoring relationships
Employee Recruitment	Candidate Pool Diversity Percentage	Number of culturally different candidates/total number of candidates	Tells how effective you are at increasing the diversity of candidate pools
Employee Retention	Turnover Rate	Number of terminated employees/average employee population	Tells how effective you are at retaining employees
Employee Selection	Diversity Hire Percentage	Number of culturally different hires/total number of hires	Tells how effective you are at hiring culturally different candidates
Human Resource Development	Performance Change Rate	Performance appraisal score after training/performance appraisal score before training	Measures the impact of training and education on job performance

Figure 3. Sample Diversity Metrics.

the (specific) goal itself, while the final blank is used to identify how goal achievement will be assessed (measured).

In addition, to ensure that the goal is both relevant and achievable, it is important to make sure it connects to the organization's strategic objectives. For example, if one of the organization's goals is to increase market share for a particular product line, then a diversity goal that focuses on increasing revenues in multicultural markets is a good fit. It is clearly relevant and is more likely to be achieved given its connection to an organizational priority. Figure 2 illustrates four examples of well-written diversity SMART goals with a focus on performance.

One of the most important aspects of creating a SMART goal involves the selection of measures that facilitate the evaluation of goal achievement. This can be done most effectively through the use of diversity metrics that are connected to a specific category of performance (Hubbard, 2001, 2004; Fitzenz, 2002). For instance, the first SMART goal in Table 2 uses the quality hire metric as a measure of goal achievement. This measure is connected to job performance, which is a common category in performance-focused diversity interventions. Other performance categories include career development, climate and environment, employee recruitment and selection, employee retention, human resource development, performance coaching and mentoring, performance assessment, and performance reward. Figure 3 provides six examples of diversity metrics connected to specific performance categories that can be used in the development of effective SMART goals.

Develop Action Plans

Planning is possibly the most important step in any strategic management process such as the implementation of a diversity program. Unfortunately, it is also among the most neglected (David, 1989). An action plan is a list of specific steps that need to be accomplished to achieve short-term goals (Bryson, 2004). Specifically, each step should include a precise description of the action to be taken, the key participants responsible for facilitating each step, and a date by which each step should be completed. The resources required to carry out each step can also be included.

The key to writing a successful action plan for a diversity program is to be specific, concise, and brief. The plans need not be particularly long or contain extensive verbiage. Figure 4 illustrates a sample action plan based on one of the SMART goals identified in Figure 2:

By June 30, 2006, the company will increase sales to multicultural markets, as demonstrated by a 15% increase in sales revenue from select ethnic target groups.

To facilitate the success of the action plan, it is important to review the progress of each step as its completion date approaches. It is inevitable that problems will arise as the plan progresses, so adjustments may be necessary. Once the plan is complete, the last step should always include a determination of whether the SMART goal has been successfully accomplished. In the event the goal is not achieved, the organization will need to review each step to determine what can be done to bring about the desired results.

Define Performance Expectations

Once SMART goals and action plans have been developed, the next step is to define and communicate performance

ACTION	KEY PARTICIPANTS	COMPLETE BY
Determine exact sales figures for multicultural markets on a product line basis for the past year.	VP of Sales	January 31, 2005
Facilitate the new <i>Multicultural Selling</i> training series for all sales representatives.	Sales Representatives	April 30, 2005
Develop a sales strategy that will increase individual sales rep revenue in multicultural markets. Each strategy will incorporate at least two of the <i>Multicultural Selling</i> techniques introduced during the training series.	Sales Representatives	June 15, 2005
Obtain approval for all individual sales strategies; launch.	Sales Manager and Reps	June 30, 2005
Evaluate individual sales strategies 180 days after launch by reviewing revenue streams for each sales rep. Make changes as needed.	Sales Manager and Reps	December 31, 2005
Determine if SMART goal has been achieved.	VP of Sales	June 30, 2006

Figure 4. Sample Action Plan.

expectations for the individuals who are directly responsible for achieving those goals. Of greatest importance is the integration of these expectations into the organization's formal performance management process. For example, if one of the goals in the diversity initiative is to increase revenues in multicultural markets (which represents a focus on *improved organizational bottom line*), then the performance expectations for sales managers and salespeople must reflect this goal. These expectations must become a part of the formal performance appraisal process so that individuals can be held accountable for results.

Likewise, if one of the goals of a diversity program is to increase the diversity of organizational management (which represents a focus on *improved individual and organizational performance* by enhancing the quality of the workforce), then the performance expectations for human resource staff and others involved in the recruitment process must fall in line with this goal, and those expectations must be reflected in individual performance appraisals. The key is to identify the specific individuals who will most directly affect goal achievement, align their work expectations with those goals, and make sure they are rewarded for goal attainment.

Evaluate Impact on Performance

The final step in the facilitation of a performance-focused diversity intervention is the evaluation of action plans and their impact on performance. If the SMART goals are effective, this is a relatively simple process. All that is required is an examination of the goal to see if the measure identified in that goal has been achieved. For instance, in the sample SMART goal listed above, on June 30, 2006, the multicultural market revenue streams would be reviewed to determine if a 15% increase has been achieved. Similarly, if the goal was a 10% increase in the quality hire measure, progress toward that goal would be assessed.

Conclusion

Facilitating diversity programs that have a significant impact on performance is not a complicated process. However, many of today's diversity initiatives fail to influence individual and organizational performance in any discernible manner because one or more of these five steps is ignored. By applying the steps described in this article, organizations can more successfully facilitate diversity programs and activities that have a measurable impact on performance. 🌱

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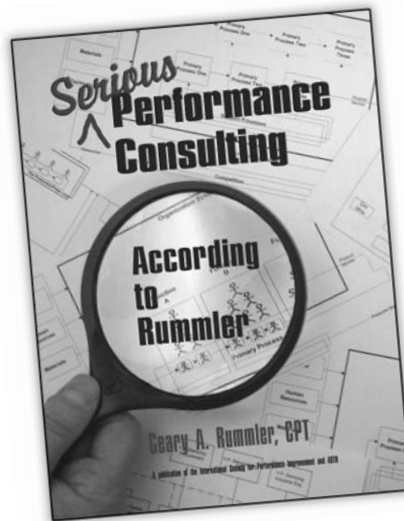
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Tyrone A. Holmes, EdD, is the President of T.A.H. Performance Consultants, Inc., a full-service human resource development consulting firm specializing in the enhancement of individual and organizational performance. As a dynamic speaker, trainer, consultant, and coach, Dr. Holmes has helped countless individuals enhance their ability to communicate, resolve conflict, and solve problems in culturally diverse settings. He has created and copyrighted numerous training systems and speaks on a variety of communication, diversity, and consulting topics including creating culturally empowered environments, improving communication in culturally diverse settings, and value added diversity consulting. Dr. Holmes has served as Assistant Professor of Guidance and Counseling at Eastern Michigan University and Assistant Professor of Counselor Education at Wayne State University in Detroit, MI. He is also a Licensed Professional Counselor in the state of Michigan. Dr. Holmes may be reached at tyrone@doctorholmes.net.

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