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WHY IS THERE A PERCEPTION THAT EMPHASISING DEI COMPROMISES EFFICIENCY AND STRATEGIC EXECUTION?

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Despite compelling research confirming a strong alignment between Diversity, Equity and Inclusion (DEI) initiatives and corporate financial performance, Goldman Sachs and Deloitte have become the latest big corporations to formally announce that they are reviewing their DEI policies in light of the United States' revised position on diversity, inadvertently giving credence to claims that diversity policies lead to "reverse discrimination". Some critics argue that prioritising DEI may create trade-offs that impact efficiency and strategy execution. Others emphasise that DEI efforts prioritise representation over experience and skills, unnecessarily increase governance complexities, impede decision-making, and detract from organisational alignment, particularly where organisations need to comply with multi-jurisdictional DEI laws and expectations.

Perhaps a reality check is necessary: do these perceptions arise from poor DEI implementation or from the concept of DEI itself?

Perceived slower decision-making due to increased board and leadership diversity

Diverse boards and leadership teams incorporate varied perspectives, backgrounds, and cultural viewpoints, which can lead to longer deliberations and a more complex decision-making process. In contrast, homogeneous leadership teams may align more quickly on strategic priorities, leading to faster execution.

While **more diverse leadership teams may take longer to reach decisions**, the reality is that they often **make better, more innovative, and well-balanced choices**, reducing **the risk of groupthink, wilful blindness, and short-termism**. That being said, the real-world implications of decision-making inefficiencies should not be underestimated. A clear vision and a strong sense of purpose is essential for guiding strategic decision-making and ensuring that decisions remain aligned to organisational goals and values. Given the fast-paced business environment, a robust governance framework (supported by a well-defined decision matrix/delegation of authority) is critical to establishing situational awareness and ensuring that decisions are made in the best of the organisation and based on corroborated information and shared knowledge.

Fear that DEI may lead to hiring based on representation over merit

Some critics argue that **emphasising diversity targets** in hiring (particularly at a board or executive management level) may **prioritise demographic representation over experience, technical expertise, or leadership competencies**. In some quarters, a "new" approach based on Merit, Excellence, and Intelligence (MEI) is being proposed, implying that DEI results in a lowering of hiring and performance standards.

However, when implemented correctly, DEI expands the **talent pipeline**, ensuring that **highly qualified candidates from diverse backgrounds** are given equal opportunities. Forbes has described the Gen Z generation as "the most

diverse generation of our time” with a keen sense of “social awareness.” According to recent research conducted by talent management group, Seramount, “83% of Gen Z jobseekers consider a company’s commitment to DEI when deciding where to work”. The current talent landscape therefore suggests that DEI and DEI do not need to be diametrically opposing frameworks for employment. The objective is to enhance the quality of the workforce and build more adaptable and resilient teams. Experienced leaders know that hiring processes driven by optics rather than competencies will only serve to reinforce any trust deficiencies in the workforce (and with other stakeholders) and unnecessarily increase costs in the long-term.

Authentic leaders **embrace DEI as a human rights issue** rather than just a compliance requirement. Leaders who **actively advance human rights through DEI policies** demonstrate ethical governance, fairness, and a commitment to **long-term social and business sustainability**.

Increased governance and compliance complexity

Oversight becomes more complex when compliance is cosmetic, and when DEI is implemented as an afterthought instead of a strategic imperative. The advent of AI-driven HR analytics substantially negates the argument that the additional compliance and reporting requirements introduced by DEI just add layers of bureaucracy, training, and policy development that may slow down execution.

Admittedly, while technology is a valuable tool, it is not a substitute for committed leadership, cultural change, and ongoing dialogue. However, just like in any other area of the organisation, leveraging technology and developing standardised DEI measurement frameworks can reduce administrative burdens and improve the accuracy of reporting. Furthermore, by analysing hiring, promotion, and retention patterns, organisations can **improve workforce efficiency and reduce talent acquisition costs**. By tracking DEI data, organisations can also better understand **customer demographics and market trends**, leading to **more inclusive product and service development**. Using data to enhance decision-making can help to ensure continued and meaningful alignment with organisational values and strategic objectives.

Increased costs associated with DEI implementation

Implementing DEI requires investment in training, hiring processes, inclusive leadership programmes, and tracking systems, which some see as diverting resources from core business priorities. Organisations facing economic pressures or cost-cutting initiatives may feel that DEI efforts are a luxury rather than a necessity.

Yet research suggests that diverse teams are better at solving problems (www.thinkherrmann.com). Google also presents a compelling case study illustrating the benefits of tapping into a wealth of different perspectives, experiences, and talents. Google recognised that building psychological safety by creating an environment where employees feel comfortable taking risks without fear of reprisal or judgement positively contributes to innovation. Furthermore, Google acknowledged that the sense of belonging invoked by its DEI approach, encourages employees to voice their opinions and new ideas more freely.

By embracing DEI as part of the organisation’s strategy, boards and the executive can be better positioned to reach and engage with diverse customers and markets. Understanding local DEI regulations, cultural expectations and workforce diversity standards helps organisations **better align with consumer expectations and business**

practices in new markets. Global DEI compliance can then be leveraged as a market intelligence tool to accelerate global expansion, strengthen brand reputation, and provide access to global talent pools.

The benefits of embedding DEI into business strategy are becoming more evident as the correlation between financial performance and diversity strengthens (McKinsey: Diversity Matters Even More 2023). These benefits -- improved talent management, more efficient innovation, and increasing market appeal -- can expedite sustainable growth and should form part of the return on investment calculation.

DEI as the foundation for ethical business

When DEI is embedded into organisational culture, it fosters ethical behaviour by promoting transparency, accountability, and fairness in decision-making. The ECI's Global Business Ethics Survey as well as research by Harvard Business Review suggest that inclusive workplaces reduce unethical practices by increasing leadership empathy and employee voice. However, reducing workplace power imbalances requires more than DEI adoption - it demands leadership accountability, unbiased career advancement, and transparent reporting structures. Organisations with strong DEI commitments tend to shore up stakeholder trust, as consumers prefer brands that align with their values, and investors increasingly favour ESG-compliant organisations. By fostering inclusive cultures where employees and customers feel valued, businesses can enhance brand loyalty, employee retention, and long-term market appeal.

DEI initiatives encourage organisations to consider their impact on human rights and social responsibility, extending beyond profit margins (and short-term mindsets) to encompass communities, customers, and the environment. For example, organisations can implement fair labour practices, invest in sustainable sourcing, and contribute to community development. While legal requirements, reputational risks, and market pressures also play a role, genuine DEI commitment engenders a leader's perceived fairness and trustworthiness. To ensure authenticity, organisations must prioritise accountability and transparency in their DEI efforts.

By **shifting the perspective** from **DEI as an administrative challenge and compliance burden** to **DEI as a strategic enabler**, organisations can **build stronger, more resilient, and future-ready enterprises**. Rather than apply a one-size-fits-all approach, DEI should be tailored to reflect the local cultures, workforce trends, and regulatory environments.

The challenge is not DEI itself - but how it is executed.

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