

The board's role in addressing systemic racism and injustice

Recent global protests have pushed diversity, equity, and inclusion (DE&I) to the top of board agendas. Corporate leaders are feeling pressure to turn anti-racism statements and commitments into concrete actions. During an October 5, 2020 virtual meeting, Lead Director Network (LDN) members were joined by James White, co-founder and chair of Directors Academy, and Ivy Kusinga, chief culture and talent officer at Chubb, for a discussion on steps boards can take to enact meaningful, lasting change throughout their organizations.

This *Summary of Themes* provides a brief overview of the meeting.¹ *For a full list of meeting participants, please see the list on page 4.*

- **Sustaining the energy on DE&I issues.** The current movement in support of racial justice and equality is *“unlike any other,”* according to Mr. White: *“The conversation is different—we are having deeper, more enlightened conversations about systemic racism in ways that have never been discussed before. This topic is occupying much more time and space in the boardroom than ever before.”* Pressure from stakeholders, including employees and customers, is helping to drive these efforts. One director said, *“Our younger employees expect more out of boards and management now. We live in a different world now—our employees are constantly talking about inequities they see. As directors, we have to be more engaged.”*

Despite the momentum, progress is neither easy nor guaranteed. *“Many companies found themselves flat footed after making public anti-racism statements. They were ill-equipped to meet the expectations behind their statements,”* Mr. White said. Moreover, one LDN participant expressed concern over waning excitement: *“I do not sense the same enthusiasm about this topic as I did at the beginning of the summer. I worry about the sustainability of these initiatives. We cannot be having this same discussion ten years from now.”*

- **Leading from the top is essential for long-term progress.** Several LDN members suggested that success in this area depends on having a CEO and leadership team who champion DE&I efforts. One lead director said, *“You need a strong backing from your CEO and senior leaders. If you have leaders that believe in change, then your chances at success are good.”* Another added, *“This has to be a personal priority across the entire executive team.”*

- **Establishing structures to set goals and track progress.** *“There needs to be a company-wide governance structure to oversee these priorities to ensure that progress is being made and that there are adequate resources behind the initiatives,”* said one director. Ms. Kusinga urged members to look beyond plans and metrics to outcomes: *“Everyone has voluminous plans but there is often a failure for the plan to drive meaningful outcomes. If the board is able to focus on real outcomes, then sustained attention to those outcomes over time will make a meaningful difference.”* Holding management accountable on DE&I goals is critical. One director said, *“You have to fundamentally build diversity into your compensation system in a material way to reflect corporate commitment to the cause.”* Others suggested alternative approaches to motivate management to make DE&I a priority. One member said, *“Each month, our CEO reviewed a top-down list of the progress each division manager was making in company diversity initiatives, including recruitment and development. The executives were ranked from best to worst. The public credit or embarrassment was much more useful than compensation.”*
- **Exploring more effective ways to retain diverse talent.** Leaders realize that women and minorities face a series of impediments early in their career that make it harder to create a diverse leadership pipeline. Ms. Kusinga said, *“There are glass cliffs for women and minorities at many companies, and often they come relatively early. When you look at the progression of people of color, there is a thinning out as you move up because most people of color leave organizations.”* She identified the lack of senior-level relationships and sponsorships and the pressures of social isolation as crucial *“headwinds”* facing women and people of color. Ms. Kusinga encouraged boards and senior leaders to be intentional about creating visibility for a diverse group of high-potential employees.

Members acknowledged the opportunity to intervene at early stages in the talent pipeline. One director cited an example of a company with *“an incredibly diverse senior executive team”* that would nevertheless *“tell you themselves about the need to look deeper into the organization and see what kind of movement there is.”* Another suggested that organizations change how they think about the qualifications for employment: *“Does requiring a college degree create a barrier? Can you have more access to opportunities created for more diverse people coming in? Companies are looking at what they can do differently about recruiting and changing requirements.”*
- **Creating opportunities for meaningful engagement between senior leaders and employees.** Boards are taking a range of steps to understand employees’ perspectives on DE&I. One director said, *“My board is having small, roundtable discussions with a diverse mix of employees so we can get a better sense of the culture.”* Another added, *“These exercises provide boards the chance to listen to their constituents who may feel there is a lack of opportunity to do so within the company.”* However, a director cautioned that these forums had the potential to become perfunctory: *“These cannot simply be about checking the box. We need to use these dialogs to identify the root cause and create a plan of action”*

to address them.” Boards are partnering with management in these initiatives. One director said, “We assign a senior executive to each employee affinity group, including Black, Latinx, and LGTBQ, to have a regular dialog with them about issues they feel are not getting enough attention. At least two directors will try to meet with each group as well. This helps the board be introspective about whether it is doing all it can to help management drive diversity and equity goals.”

- **Driving performance through DE&I.** Even before recent anti-racism protests and initiatives, senior leaders recognized the competitive advantage of having a diverse and inclusive workforce. *“We cannot fish in just a part of the pond all the time and expect to get the best leaders and talent,”* said one member. Another emphasized that, *“There is a strong business case for why this is important to do. In most cases, the more diversity you have, the better your business will do.”*

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Meeting participants

- Don Cornwell, AIG and Pfizer
- Curt Espeland, Lincoln Electric
- Don Felsing, Archer-Daniels-Midland and Northrop Grumman
- Ann Hackett, Capital One
- Ed Kangas, Deutsche Bank USA
- Lou Lavine, Zynga
- Les Lyles, KBR
- Mike McCarthy, Union Pacific
- Bob Murley, Stericycle
- Henry Nasella, PVH
- Chuck Noski, Booking Holdings and Wells Fargo
- Craig Omtvedt, Oshkosh Corporation
- Pat Russo, Hewlett Packard Enterprise
- Vicki Sato, Bristol-Myers Squibb
- Bill Van Faasen, Eversource Energy

Endnotes

¹ *Summary of Themes* reflects the network's use of a modified version of the Chatham House Rule whereby names of members and their company affiliations are a matter of public record, but comments made before and during meetings are not attributed to individuals or corporations. Guests, however, have given permission for their remarks to be attributed. Comments by guests and network members are shown in italics.