

THE POWER OF DIFFERENCE

An anthology of expert
perspectives on how
boards can build cultures
of inclusion.





The photos shown here and on the cover are details from a mural in Portland, Oregon, that was painted by George Fox University art students.

PHOTOS BY TIM MOSSHOLDER/UNSPLASH

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The Social Justice Case Spurs Action on ESG

If it can be said that the humanitarian crises of 2020 could yield a positive outcome, it might be an intensified focus on stakeholder capitalism. A little more than a year after the Business Roundtable issued a statement that arguably broadened the focus of a corporation's purpose from profits to people—i.e., all those who intersect with a company and its operations—the Big Four accounting firms in September announced standardized metrics for environmental, social, and governance (ESG) reporting. It's not only an unprecedented show of cooperation among competitors; its aim is to provide clarity amid the cacophony of ESG frameworks being advanced by various business groups all over the world. The Big Four, working with the World Economic Forum, also took on the challenge of defining social metrics.

"Reporting on ESG factors like carbon emissions and human rights and other key metrics will not only help inform investors while helping companies control their full corporate value, it has the power to realign capitalism for the benefit of broader society," declared Bill Thomas, global chair and president of KPMG International, in a statement. Given that ESG investing has hit record levels—investors funneled \$20.6 billion in new money into sustainable funds in 2019, and globally, \$71.1 billion was invested between April and June of this year—common reporting standards should provide socially conscious capitalism even more traction. Deloitte global chief executive Punit Renjen went a step further, telling the *Financial Times* that if there is widespread adoption of the standards, "it will lead to change in behavior."

These two firms—along with Baker McKenzie, CACI International, and the Hispanic Association on Corporate Responsibility, as well as corporate directors Jeannie Diefenderfer and Ryan McManus—have contributed to this annual publication, which addresses ways in which directors can be active participants in societal change by thinking differently about the talent within their organizations and inside the boardroom. In addition to attuning readers to the professional barriers facing people from different demographic groups, these essays examine how including and reinforcing those with different skill sets and experiences build stronger, more resilient companies.

In contemplating the events of this year and amid great uncertainty about the months ahead, resiliency and leadership that is as empathetic as it is business-savvy are not just the orders of the day; they are prerequisites for sustainable success. As it strives to do each year, the 2020 edition of *NACD Directorship's The Power of Difference* provides directors with intelligence and viewpoints to inform action toward a more just future for all. —Jesse Rhodes

ORGANIZATIONS TO KNOW

As boards engage in conversations about diversity and inclusion and how to incorporate new perspectives among their membership, reaching out to affinity groups is one way to source those talents that can enrich a board's oversight abilities. While the following list is by no means comprehensive, it features groups that NACD has worked with and that focus specifically on the board level.

[The Executive Leadership Council.](#)

Founded in 1986, this nonprofit organization's mission is to create inclusive talent pipelines that develop and empower Black professionals so that they can lead in C-suites and the boardroom.

[Latino Corporate Directors](#)

[Association.](#) Latino corporate directors and leaders from the Hispanic Association on Corporate Responsibility in 2013 formed this nonprofit, which serves to develop Latino executives for board service and promote greater inclusion of Latinos on corporate boards.

[Ascend Pinnacle.](#) This organization serves to support current or aspiring Asian American directors and to increase their representation on corporate boards. According to the latest edition of Deloitte's *Missing Pieces* report, Asian/Pacific Islander directors held only 3.8 percent of Fortune 100 company board seats in 2018, compared to the 4.4 percent held by Hispanic/Latino directors and 11.1 percent held by Black directors.



The Imperative for LGBTQ Inclusion: Five Questions for Boards to Ask

By Susan M. Angele

As the Business Roundtable (BRT) has recently commented, “America’s largest employers know that the economy works best when employees can be who they are, without fear of bias, discrimination, and inequality.” Todd Sears, a former investment banker and the CEO of Out Leadership, describes the advantage of investment in LGBTQ inclusion as the “return on equality”: “The openly LGBTQ population is diverse, and growing. Companies improve their bottom lines through LGBTQ inclusion, as both LGBTQ consumers and straight allies increasingly make purchasing decisions based on a company’s commitment to equality and inclusivity. Additionally, as the LGBTQ community is both invisible and also intersectional by definition, forward-thinking companies that include LGBTQ leaders in their board diversity plans and goals will also see increased representation of women, people of color, and other minorities.”

Boards are increasingly deepening their oversight of issues such as talent, culture, equity, inclusion, and diversity. Given America’s changing demographics and attitudes, as well as the impact LGBTQ-inclusive policies may have on the company’s bottom line, boards should take the opportunity to assess whether the LGBTQ-related policies and practices of the company and the board are oriented toward the future. If the

board has not already engaged in such discussions, the following questions provide a good place to start. (Note: While the term LGBTQ specifically refers to the lesbian, gay, bisexual, transgender, and queer communities, it is used here to include all gender and sexual minorities. Third party quotes, if different, will adhere to the term used by the quoted party.)

1. Is management focusing on nationwide compliance in light of the recent US Supreme Court decision?

For decades, provisions against discrimination in employment on the basis of sexual orientation or gender identity were matters of company policy and applicable state law, and large numbers of workers were dependent on company policy alone: According to the June 15 Catalyst blog post “Lesbian, Gay, Bisexual, and Transgender Workplace Issues: Quick Take,” an estimated 3.9 million LGBT workers over the age of 16 lived in the 28 states without state statutory protection. Those working without protection of state law or company policy included Gerald Bostock, who claimed that his employer violated federal law by firing him because he joined a gay softball league. On that date, writing on behalf of a majority of the Supreme Court in the case *Bostock v. Clayton County*, Justice Neil Gorsuch declared,

“The answer is clear.” Title VII of the US Civil Rights Act of 1964, which prohibits employment discrimination on the basis of “race, color, religion, sex, or national origin,” includes discrimination on the basis of sexual orientation and gender identity, and “[a]n employer who fires an individual merely for being gay or transgender defies the law.”

Most large public companies already protect against discrimination as a matter of corporate policy. According to the *Corporate Equality Index 2020* by the Human Rights Campaign Foundation (HRC Foundation), 93 percent of Fortune 500 companies include sexual orientation in their antidiscrimination policies, and 91 percent include gender identity. Whether or not such policies exist, it is incumbent on all companies to confer with legal counsel in order to understand the implications of this recent Supreme Court decision for their workforce policies and practices. In a June 16 informational memo on the decision, the law firm Morgan, Lewis & Bockius suggests that employers review and modify their policies “to ensure that they prohibit both discrimination and harassment against gay, lesbian, and transgender employees”; conduct training on the policies; and review the company’s employment benefits “to ensure that gay, lesbian, and transgender employees are not treated differently.” As a matter of compliance-risk oversight, the board (acting in full or through an appropriate committee) should seek assurance that management has assessed the implications of this significant decision and is implementing any needed adjustments to its policies and practices in collaboration with appropriate legal advisors.

2. Does the company provide a safe and inclusive work environment in all regions in which it operates?

While legal compliance manages the company’s risk profile, equity and inclusion can provide a competitive advantage in the long-term war for talent. According to *A Workplace Divided: Understanding the Climate for LGBTQ Workers Nationwide* by the HRC Foundation, 25 percent of LGBTQ workers have stayed in a job primarily because the environment was very accepting of LGBTQ people, and on the flip side, 20 percent searched for a new job and 10 percent left their jobs because the environment was not very accepting. The HRC Foundation’s annual *Corporate Equality Index* reports on and rates companies based on their policies and practices that promote LGBTQ inclusion. (The 2020 edition of the index assesses the policies submitted by more than 1,000 Fortune 1000 companies, law firms, and for-profit entities with more than 500 employees.) Other organizations also offer

tools for companies to assess and improve what the HRC Foundation refers to as “organizational competency in LGBTQ inclusion.” With that in mind, boards may want to inquire whether the company implements any of the following leading practices:

- an LGBTQ employee resource group
- robust internal antidiscrimination and anti-harassment training at all levels of the organization
- culture surveys that offer measurable insight into LGBTQ employee perspectives with review and follow-up improvement initiatives
- practices supportive of employees undergoing gender transition, including guidelines with regard to inclusive restroom use and dress code, and policies that enable employees to change their names and pronouns on items such as business cards and name tags

For multinational corporations, the board may also want to seek assurance that management understands the complexities of supporting diversity and inclusion initiatives at offices and facilities located outside the United States. Companies with global workforces navigate vastly different terrains with respect to the impact of local laws and cultures on LGBTQ employees. For example, an NYU School of Law Center for Diversity Inclusion and Belonging report, *Opening Up the World: How Multinational Organizations Can Ascend the Maturity Curve on LGBT+ Rights*, notes that 70 countries consider consensual homosexual sex a crime, with a dozen of these potentially imposing a penalty of death. The report indicates that company approaches fall into three categories:

- **When in Rome.** Make exceptions to an inclusive global policy.
- **Embassy.** Enforce the global policy only within the workplace environment.
- **Advocacy.** Seek broader societal change.

The report’s authors emphasize the importance of conducting a risk assessment of the legal, social, and company environment each step of the way to build support and a foundational capability for initiatives that may otherwise risk endangering the reputation, safety, or even the lives of its LGBTQ employees in a hostile environment. After building a foundation that enables safe implementation, if management approaches the issues with risk awareness and a nuanced strategy, including the embassy and advocacy approaches where possible, this should help provide the board a level of comfort that the company is on top of the issues and is positioned to act appropriately and with transparency.

3. Do company benefits equitably address the needs of LGBTQ employees?

Competitive benefits are important for attracting and retaining talent. As noted in the HRC Foundation's *Corporate Equality Index 2020*, while "benefits account, on average, for approximately 30 percent of employees' overall compensation... [m]ost employers report to the HRC Foundation an overall increase of less than 3.5 percent of total benefits costs when they implement partner [including same-sex partner] benefits and [only] marginal increases related to transgender-inclusive health care coverage (i.e., a fraction of a decimal point of cost calculations)." LGBTQ-friendly benefits include those that

- provide benefits coverage for same-sex (and different-sex) partners as well as spouses;
- include "routine, chronic care, and transition-related medical coverage for transgender employees and dependents";
- provide coverage for family planning needs, such as reproductive technology, surrogacy, and adoption;
- provide coverage for HIV-related medical needs; and
- offer in-network access to LGBTQ-knowledgeable medical professionals.

As boards continue to assess and oversee the impact of COVID-19 on business and on the workforce, many are saying, "We are all in the same storm, but we are in different boats." According to "LGBTQ Employees and the COVID-19 Pandemic" by the organization Out & Equal, members of the LGBTQ community may be more susceptible to the virus and may have more serious cases when they do catch it due to a greater prevalence of underlying medical conditions, such as asthma, cancer, and HIV or AIDS. Mental health is a larger issue in this community as well, as stressors already exacerbated by stigma, discrimination, and lack of access to critical resources now become further complicated by the effects of social distancing and isolation. Out & Equal notes that "nearly half of transgender adults have reported suicidal ideation in the last 12 months compared to just 4 percent of the general population." And for LGBTQ people of color, these issues are piled on top of an already stark disparity. For example, according to the Centers for Disease Control and Prevention, as of mid-June, Black Americans had been hospitalized or died from COVID-19 at a rate significantly higher than that of white Americans. While it is not the board's role to go into the weeds on employee health and wellness initiatives, a savvy board will ensure that leadership has an understanding of the issues and is proactively

factoring them in as the workforce navigates through the pandemic and prepares for what's beyond.

4. How do the company's values influence its role in LGBTQ- and diversity-related societal discussions?

To state the obvious, we live in polarizing, political times. As companies consider their relationships with stakeholder communities, LGBTQ-related political issues are unavoidable. Bathrooms. Wedding celebrations. Transwomen athletes trying out for gendered sports teams. These issues can be challenging, as passions run high in both directions. What's more, the issues often find their way into state and local legislation, and large companies are increasingly finding that silence on these issues is not an acceptable option. Companies are speaking out against anti-LGBTQ laws that do not reflect the values of the company and the majority of their stakeholders, and a number of large companies have gone further in recent years and pulled business away from states that enact or propose to enact anti-LGBTQ legislation, for the reason that such laws make it more challenging to attract and retain talent.

Companies are speaking out on issues collectively as well. Approximately a year before the June 15 Supreme Court decision, BRT expressed support for a proposed federal law, the Equality Act, which would extend to the LGBTQ community protection against discrimination in employment, housing, credit, education, public spaces and services, federally funded programs, and jury service:

Equality and fairness are core American values. It is these values that lead us to strongly endorse the Equality Act, which will enshrine into federal law clear, consistent, and comprehensive protections against discrimination on the basis of sexual orientation and gender identity.

In a public statement issued on the date of the Court decision, BRT reaffirmed its support for this pending legislation. And customers are increasingly holding companies responsible for their stances on political issues. For example, 80 percent of global respondents to Edelman's 2020 Trust Barometer, *Special Report: Brand Trust in 2020*, indicated that brands must be seen as helping to solve society's problems in order to keep or earn their trust. Recognizing the polarizing climate in which companies operate, there will undoubtedly be many views and strong opinions on these issues. Given the stakes, management and

the board should discuss and align on a philosophy and a communication protocol so there are no significant surprises and management can move quickly when issues arise.

5. Does LGBTQ diversity and inclusion extend to the boardroom?

The board sets the tone for the entire organization, and diversity and inclusion should start at the top. A recent survey by Out Leadership's Quorum initiative and the law firm Ropes & Gray found that openly LGBTQ executives hold just 24, or approximately 0.42 percent, of the 5,670 seats on the boards of companies comprising the Fortune 500—a rate that is far less than the 4.5 percent of the overall population that identifies as LGBT. Board-level diversity conversations have primarily been focused on gender, with racial and ethnic diversity becoming another necessary area of attention. With few exceptions, sexual orientation has not historically been a focus of board diversity. This started to change a few years ago, and definitions of board diversity, both in company policies and proxy voting guidelines, are starting to include references to LGBTQ diversity. For example, in 2017, the "Boardroom Accountability

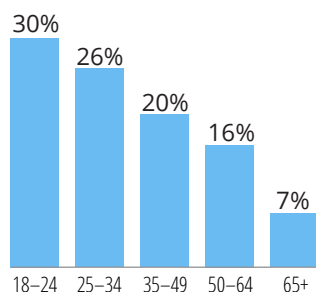
Project 2.0" of the Office of the New York City Comptroller recommended that companies describe the composition of their boards in a matrix format that includes sexual orientation along with other demographic characteristics. According to Quorum, based on Fortune 500 data from the 2018 proxy season, 10 publicly traded US companies specify sexual orientation and/or gender identity in their board diversity statements, an increase from just two companies in 2016.

Just as an LGBTQ-inclusive organization provides the company with a competitive advantage, LGBTQ-inclusive board policies and search practices do so as well, by expanding the network for talented board candidates and adding to the diversity of perspectives in the boardroom. And companies that disclose their board and organizational diversity policies and statistics are sending a message to rising talent within the organization, as well as to investors and other stakeholders, that the company is committed to diversity and is attuned to the interests of an important and growing group of stakeholders.

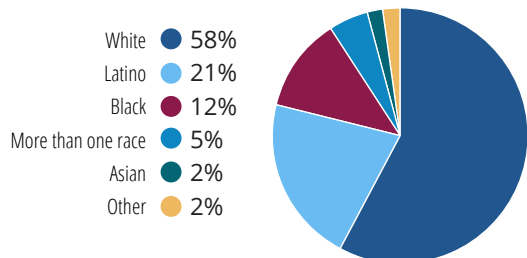
Susan M. Angele is a senior advisor with the KPMG Board Leadership Center.

PERCENTAGE OF US POPULATION WHO SELF-IDENTIFY AS LGBT

By Age

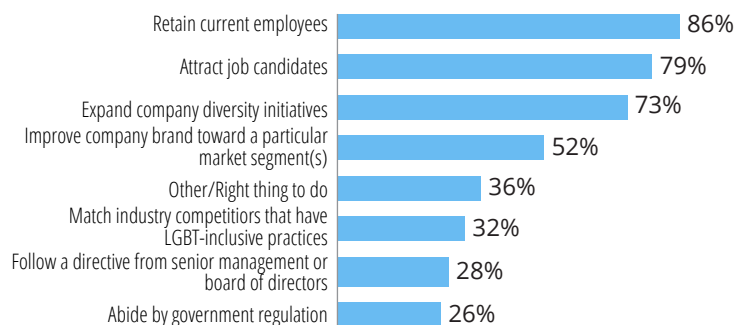


By Race/Ethnicity

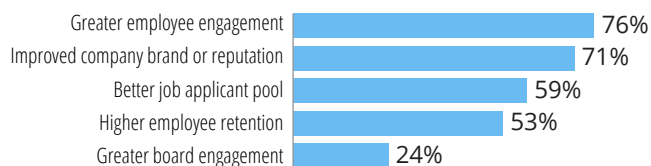


Source: "LGBT Demographic Data Interactive," The Williams Institute at the UCLA School of Law

COMPANY RATIONALE FOR INSTITUTING LGBT-INCLUSIVE PRACTICES



COMPANY OUTCOMES OF LGBT-INCLUSIVE PRACTICES



Source: *Business Success and Growth Through LGBT-Inclusive Culture*, US Chamber of Commerce Foundation

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For Stronger Companies, Ensure That Talent Has Equal Opportunity to Grow

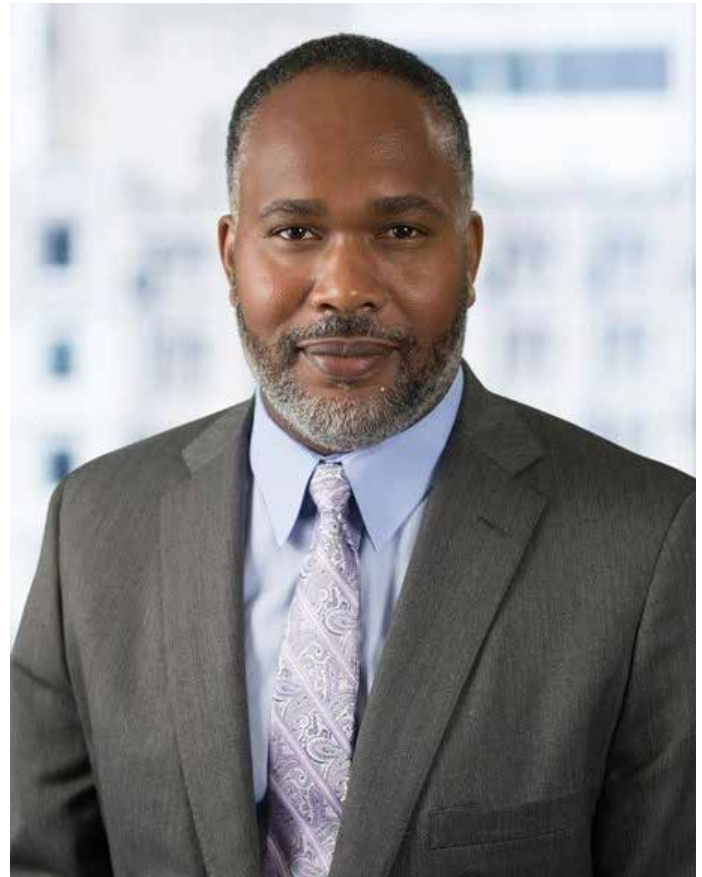
Interview by Jesse Rhodes

A former US Department of Justice trial attorney, Maurice Bellan currently serves as the managing partner of Baker McKenzie's Washington, DC, office and is a member of the Global Dispute Resolution and North America Litigation and Government Enforcement Steering Committees. A member of the firm since 2015, Bellan was recently named chair of Baker McKenzie's newly formed anti-racism task force, which was created to take a hard look at the law firm's policies, programs, and systems to identify areas for improvement so that talent across the organization has the opportunity to be developed. He spoke with *NACD Directorship* about what companies and their boards can do to ensure that all talent has equal access to opportunity—and create a stronger organization as a result.

What does an organization gauge to determine how equitable its talent pipelines are?

Even well-meaning organizations don't do self-assessments, believing that they don't have biases. So how do you create policies and procedures that solve for those unconscious biases? The first thing that any organization has to do when they need to change is not to look externally, but look in the mirror. Everyone wants to look externally, blame someone else or some external factor and not take accountability. Unpack your organization. Look at recruitment, retention, growth and development, succession planning—all the things that inherently sustain any person within your business.

In addition to those things, we have to unpack the critical things that sustain an individual in an organization. What are the factors that are needed for their growth and development? Do they have allies that enable them to grow and develop effectively within the organization? What barriers are there that stymie the creation of those partnerships? Can I implement some sort of system so that if there's a particular group that appears to be having a tougher time accessing those resources and opportunities, how can I clear a path? At the end of the day, the effective growth and development of people within your organization helps to create a stronger, more financially sound organization and an organization that has a culture that



Maurice Bellan

everyone is going to feel comfortable and engaged in. That's a process that all board members should be thinking about and analyzing whether management is doing that effectively.

What does being an effective ally look like?

An ally effectively owns the challenge that is faced by an organization in the same way that a leader takes accountability for the good and the bad. An ally is accountable to a particular individual. Allies accept the challenge of helping to develop and integrate the growth of that particular person. They also accept the burden of defending, explaining, or translating the

challenges that make the culture safe for the individual. So the definition of an ally, whether you talk about a person of color or any other person in an organization, really doesn't change. An effective ally plants their feet down and advocates for an individual in every room of the organization. They are motivated by the success of the person they're advocating for. Allies are not people who advocate when it's politically advantageous. The success of an organization hinges on finding people within the organization who champion diversity.

Are there things you would recommend that directors do to help break down barriers to opportunity and build stronger, more equitable talent pipelines?

Boards are very slow to change, and you'll only change people through firsthand experience, through seeing people work. Boards respond to the production of business units. Within that pipeline and within the chain of management, highlight those individuals who are responsible for that production. Make sure that that information comes to the board's attention. Make sure more people of color have the opportunity to make presentations to the board, and can showcase their talents and experience and demonstrate what they can effectively do for the organization. And there has to be an effective compensation strategy that will generate those success stories.

Everyone wants to compete and rise up on the corporate ladder. In that process, some people may do things to squelch the success of others. Some will say, "Well, that's the natural order of a dog-eat-dog world," but others will say that you've got to be intentional about generating a transparent culture that showcases success and roots out where there are gems within the organization that are being silenced or maybe being hidden for one reason or another.

You need to have leadership and development programs that pull those individuals up and give them opportunities. Through that, you're going to see folks that feel invested in and rewarded, folks that are going to be more loyal to the organization, and folks that will rise to the executive level in greater numbers and be strong allies from within the organization who happen to people of color.

How do you measure what matters?

I think you have to look at multiple factors. You certainly need to increase the number of people that you recruit in an organization, but more importantly, you have to give those people in your organization meaningful opportunity for success.

Companies can be too focused on the numbers, saying they have 10 percent, 15 percent, 20 percent diversity, and then heavily market that number. But what are the real opportunities for those individuals in your organization? Is there a revolving door where you have 20 percent in your organization coming in and going out and the company is just making sure that it recruits hard enough to keep that number at that sustainable level? That's like running in quicksand.

When you talk about the success of your diversity program, measure retention, measure growth, measure the ascent. Anyone can recruit laterally and put people in top positions, but how many organizations can honestly say that they grow and develop people of color who joined the organization in a junior role? If you're a person of color, success is like having a winning lottery ticket, and we can't allow that to be that way.



Baker McKenzie is proud to support the NACD and the *The Power of Difference* in its mission to explore how cultures of inclusion create sustainable businesses that rise above the rest.

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Battling Asian-American Stereotypes

By Jeannie Diefenderfer

Like other demographic groups, Asian Americans are as diverse as the countries they represent. Still, we are often seen as being a single race from a single country, and regardless of citizenship status, we are frequently viewed as the “other.” During the height of the pandemic—dubbed by some as the “Chinese flu”—a complete stranger in the parking lot of a bakery in my affluent suburban town told me to go back to my country. My only response at the time was simply, “And where do you think that is?” (Never mind the fact that I’m an immigrant from South Korea.)

There are other widely held, stereotypical perceptions of Asian Americans that have impacted me and my career. The term “model minority” still lingers in public and private discourse to describe Asian Americans in our country, and that monolithic description was applied to me for much of my professional career. I was the one who studied prodigiously, worked hard, and didn’t play much, the one others would depend on to get stuff done, without complaint or questioning the rules.

Throughout both my corporate career and my subsequent journey to the boardroom, I faced the subtle barriers of the “model minority” stereotype. It didn’t help that my background and training were technical in nature, which, to others, I’m sure played to another Asian-American stereotype—that I was a great tactician and follower. By extension, they may have also pegged me as lacking in leadership qualities. To compound matters, many boards have criteria to appoint a token, where it feels like all the white women and people of color candidates compete for that one slot, even when there may

be seven to 11 incumbent white male directors with long tenures and seniority. When boards look to increase diversity, it often translates from the mentality of allocating a few seats to the “other,” but not so many that there’s the requisite critical mass of different perspectives that could challenge the homogeneous majority.

Since the pool of candidates for board seats often is drawn from corporate executive ranks, the scarcity of Asian Americans in those positions has a direct impact on our ability to compete for directorships. This scarcity is also true at the Big Four accounting firms, whose former partners are also likely candidates for board seats. As it so often happens, my first board opportunity came to me through a colleague in my network who introduced me to a recruitment firm. It brought me to the CEO who was looking for someone from the industry I spent 28 years in. Serendipity along with my experience and background sealed the deal. Yes, I was the first woman, the first person of color, and the first Asian American on that board. Demographically, they weren’t looking to achieve any firsts, but I suspect my profile was the icing on the cake.

Yet, even when my talents and professional achievements are the elements that earn me a seat at the table, and even though I am in environments where anyone would expect nothing less than the utmost professionalism from one’s colleagues, I find I’m still seen through the lens of cultural stereotypes. When I am the only Asian American board director in the room, and meeting people for the first time, I wonder what others are thinking when I speak. Are they surprised I speak English without an accent or

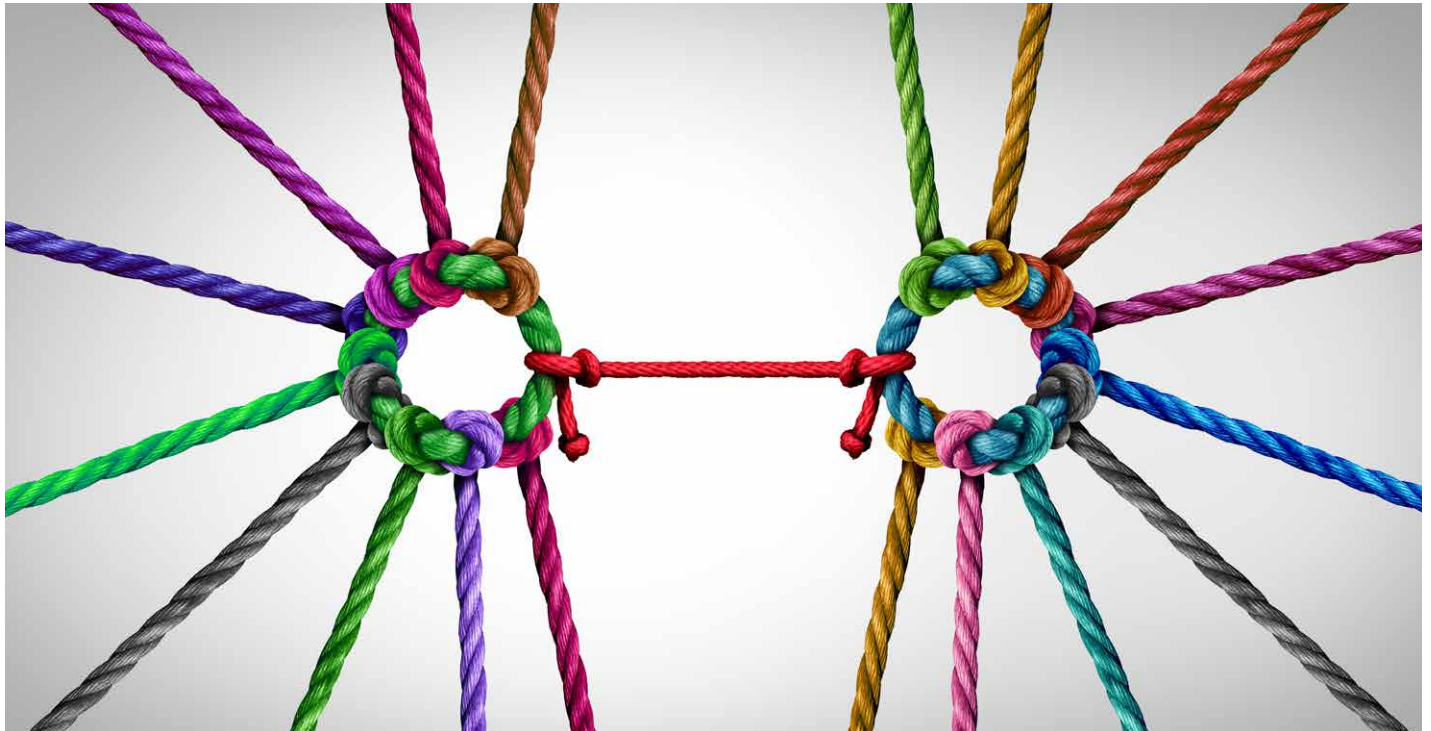


Jeannie Diefenderfer is a director of Colony Capital and the NACD New Jersey Chapter. She enjoyed a 28-year career at Verizon Communications, where she held a number of senior executive roles.

that I express an opinion with conviction? Are they taken aback that I express an opinion at all? Do they even pay attention to what I say?

As I've gotten older (and hopefully wiser), I've learned to simply bring me to the table. And if I encounter bias or antagonistic behavior, I face that behavior with curiosity. When I confront an offensive remark, the reply is one I've heard many times: "I didn't mean to..." I stick to how that behavior made me feel, and more often than not I walk away with better clarity of the relationship at hand. Of course, once in a while, it doesn't end as well as I had hoped, but then I reconcile that at least I have spoken from a place of honesty and authenticity.

Boards can seize the current moment of collective resolve to walk their diversity and inclusion public relations talk. Step up to advocate on behalf of your Asian American peers, and ask us for our views on critical board topics at meetings, including those beyond the stereotypical ones believed to be our areas of expertise. Ask us if we feel included and heard through one-on-one conversations. When you have one of us join you, resist the habit of checking the mental box as work accomplished.



Employees and Employers Alike Benefit from Inclusion

By William S. Wallace

Inclusion can become as emotional an issue as it is political. But let's be honest: Regardless of how tough a topic it is to discuss, inclusion as a business trait is imminently logical. Inclusion is about the environment within which our people work, and where as a matter of course they have access to opportunities and resources. Inclusion is about the character of an organization where each member can bring their whole, true self to work and be encouraged to contribute authentically to the organization's success. Inclusion is about leadership, trust, and creating an organizational culture where entrepreneurship and innovation are valued and rewarded, regardless of origin. Inclusion, when consistently applied at the tactical level of the organization, contributes to a bold and progressive strategic direction for the enterprise. The following are the keys to supporting—and reaping the benefits of—inclusion from the boardroom.

Uncomfortable Conversations

If inclusion is so important, then why is it not routinely achieved? It is—in most high-achieving organizations. Inside those businesses, inclusion is such an inherent part of the organizational fabric that it propels the business forward,

almost unnoticed, except for the leaders who recognize that fostering inclusivity is one of their most important tasks. These leaders understand that their opinions are formed by their own personal and professional circumstances, and that they are only one perspective. These leaders understand that they must listen to shareholders and stakeholders alike, asking leading and sometimes uncomfortable questions.

In fact, a willingness to have uncomfortable and courageous conversations is one of the leading factors of advancing diversity and inclusion in organizations. Acknowledging imbalances in opportunity, leaning into our curiosity and learning about people who are different than us, being empathetic to others' thoughts and circumstances, and exploring new ways of leading are difficult endeavors for most people, but must be embraced in order to make progress.

Metrics and Demographics

There is an analytical aspect of diversity and inclusion that cannot be overlooked, as well. Every organization, regardless of size, has metrics against which to judge its attainment of goals, its place in the market, and its future direction. Furthermore, every organization has or can easily obtain

demographic information about itself, its leaders, and its workforce. Demographics are who you are as an organization. They help to answer the following questions: Who are the people in leadership positions, and what is their makeup? When an ad hoc team is called upon to solve a sticky problem, who makes up the team? Who are we hiring and from where? Who is leaving the organization and why? There is a dense array of questions that can be asked, the most important of which is, Why are the demographics the way they are, and what does that tell us about our culture of inclusion? These questions lead back to the difficult task of having uncomfortable conversations, and the need to explore the root causes of a lack of diversity and inclusion, perhaps looking at deeply ingrained patterns of selecting and developing talent. Equally as important as the demographics themselves is the establishment of a routine system of reviews.

Board Ownership

As with other strategic efforts, board members critically review strategic direction and hold senior leadership accountable. Given that diversity and inclusion have a meaningful impact on shareholder value and are critical components of the rising tide of environmental, social, and governance investing, directors need to be intentional about their expectations that management develop inclusive cultures. The governance committee may be a relevant place to discuss accountability for inclusion, and at times the compensation committee's agenda expands to encompass human resources and therefore might also be a logical setting. At CACI International, the board enlists a culture committee, strategically established by our chair to address the critical effort of building and maintaining a culture of character and integrity. Incorporating inclusion into this committee's work was only natural, and has proven to be effective in keeping a pulse on inclusion as an integral part of our corporate culture.

Each of the above keys to increasing inclusion point to an overwhelming conclusion: Inclusion is good business, and it is also hard work. It takes an open mind and continuous, persistent effort. At its best, it is a characteristic of the culture of an organization and is an inherent piece of both a company's history and future. An inclusive culture encourages talent to seek out your business for opportunities, and encourages talent to stay despite other (and perhaps more lucrative) opportunities. Inclusion encourages employees to reach aspirational goals. It creates a cadre of inspired leaders who are advocates

of the merits of inclusion because they have experienced it themselves.

Above all, inclusion is a cultural journey, not an organizational destination—one where excellence is attained, and the business thrives.

Gen. William S. Wallace (Ret.) is an independent director at CACI International.

Culture Matters

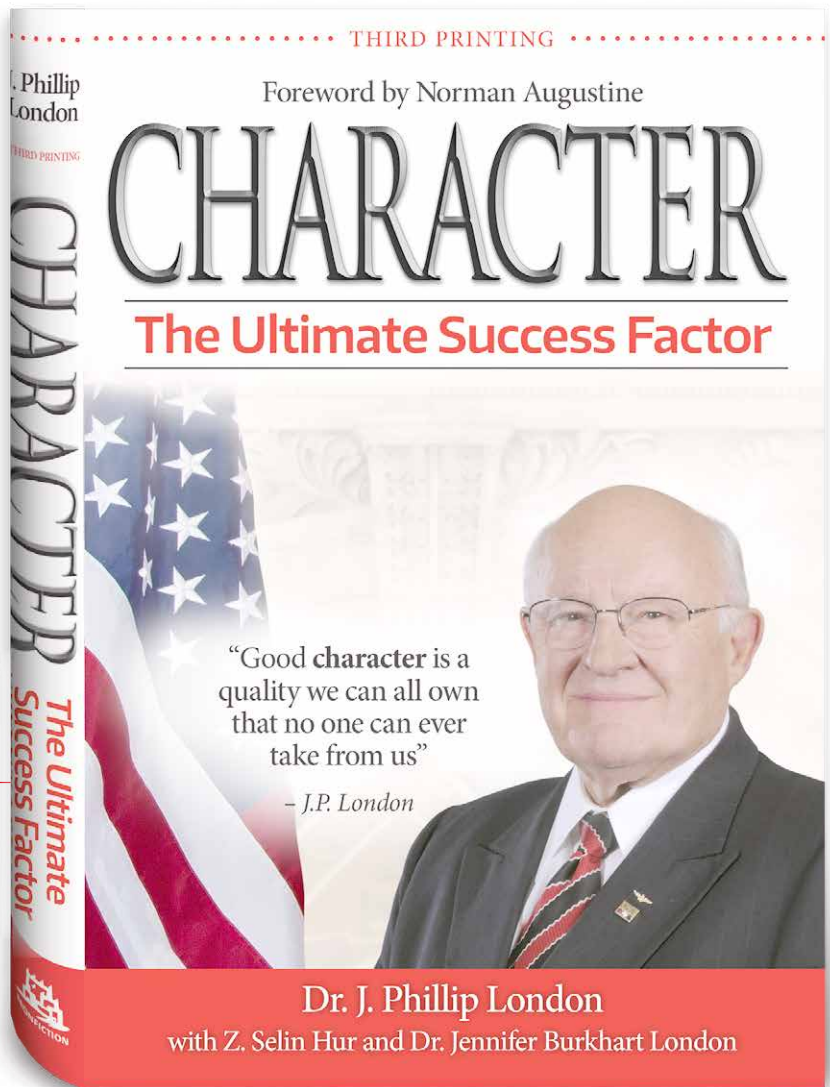
Corporate culture is a powerful source of company success. The way a company conducts its business is as important as what it produces. Values such as honesty and integrity form a solid foundation for a vibrant corporate culture. By fostering innovation, rewarding excellence, and encouraging a spirit of entrepreneurship, corporate leaders can attract the best talent and drive outstanding performance for lasting results.

In his book, *Character: The Ultimate Success Factor*, CACI Executive Chairman and Chairman of the Board Dr. J. Phillip (Jack) London draws from history, his naval experience, and his career as a national business leader to highlight the key role of good character in personal and professional success.

Dr. J. Phillip London

Captain, USN (Ret.);
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What Digital Diversity Brings To a Board

By Ryan McManus

Although C-suites and boards are increasingly building their understanding of how digital technologies are impacting all facets of their companies, the success of digital transformation investments is dismal, largely because of gaps in strategic thinking that include, but are not limited to

- equating automation with transformation;
- failing to consider the enterprise-wide implications of new technologies;
- failing to upskill the entire talent base and align organization design to strategy;
- neglecting to ask the hard questions about the organization's strategic and leadership capabilities and what gaps need to be filled;
- neglecting to experiment with new business models; and
- ignoring emerging, digitally driven risks.

In the digital revolution, diversity of leadership and technology experience is critical, both for solving the immediate urgency of enhancing or deepening digital skills in the boardroom, and to empower people from different backgrounds to seek new opportunities to enhance their digital skills and knowledge.

At the board level, the ideal solution to overcoming these obstacles would be to recruit and onboard directors who have both hands-on and a broad understanding of digital and emerging technologies and their impact on strategy, markets, business models, competition, products and services, risk, and talent.

The best digitally savvy directors bring more than an understanding of specific technologies such as social media, blockchain, 5G, the Internet of Things, and artificial intelligence. They take a strategy-first approach, seeing

the correlation between strategy and digital technology and how this impacts governance—especially the development of new digital business models, the management of emerging digital risks, and creating an inclusive, digitally savvy culture.

It is, however, a tall order to find such board candidates. Outside of the technology industry, there are still very few leaders who have the combination of deep technical knowledge and broad strategic thinking and who have first-hand experience in both building and scaling new digital or digitally driven businesses. One wouldn't ask someone who only has a textbook understanding of finance to serve as an audit chair, and the same applies to digital experience on a board.

That this experience is hard to find means boards need to expand the population of leaders they consider for director opportunities. Because the pace and scale of digital change is relentless, effective oversight depends on new and alternative ways of thinking. Because change is constant, no cohort of people has experience in what comes next—strategy and governance become as much about innovation and growth as about risk management, compliance, and operations. Many senior leaders in large companies never had the opportunity to lead digital transformation or related innovation programs, given that digital technology has emerged as a major disruptor in most industries over the past several years. As such, boards may need to look outside their traditional industry and executive profile demographics to identify candidates who have successfully built and led impactful digital businesses.



Ryan McManus is the founder and CEO of techtonic.io and is a director of Nortech Systems, where he chairs the nominating and governance and science and technology committees.

There is another diversity-related consideration that boards need to bear in mind. If directors agree that digital and strategic capabilities are critical to the success of the organization, they should challenge management to aggressively develop these capabilities across the workforce in order to give equal access to the very skills that they view as so important.

Employees enter organizations with different talents and levels of exposure to the digital world, and as they move throughout the workforce, they will increasingly be handicapped without relevant digital skills.

Companies are in a powerful position to counteract the inconsistent levels of exposure to technology and related skills across demographics and geographies. With the increasing availability of low-cost virtual training, it is hard to imagine why an organization would not provide basic to advanced training on digital capabilities across its workforce. There are immediate benefits to culture because employees feel invested in and are building skills that enhance their own value, which in turn incents them to deliver value to the company. Mid-term, organizations will see benefits to increasing workforce capability and innovation, while longer term they will realize the benefits of the enterprise-wide digital leadership capabilities they have fostered across diverse employee populations.

As their teams develop these skills and understand the potential applications of digital, there will naturally be more new ideas, and the development and deployment of those ideas would create opportunities. Companies would be well-served to provide easy-to-access channels for employees to share ideas related to digital opportunities, as well as to offer incentives to motivate them to do so. This allows companies to track the return on investment of these efforts through expanding innovation pipelines. It also creates a virtuous cycle, as it sends clear messages about the importance of digitization, empowers employees, and consequently evolves the culture.

Boards have an opportunity not only to champion broad and equal development of new skills, but to ensure broad and equal access to the benefits available from individual creativity and contributions as well.

Digital technology, innovation, and leadership are increasingly becoming more interwoven. Directors are in a powerful position to bring this new thinking and experience into their boardrooms, to bolster oversight of both current and future strategy and investments, and to foster cultures that promote the development of critical digital skills across diverse groups. Many boards will need to look for nontraditional director

candidates in order to recruit leaders with direct digital experience. The strategic opportunities and competitive threats that digital represents clearly show the value of the effort.



Intention Is the Backbone of Diversity And Inclusion

By Cid Wilson

This has been a pivotal year for corporate America. A global pandemic, racial injustice illuminated by the killings by law enforcement of unarmed Black people, and acts of hate against people of color have prompted companies to think more seriously about how racial and ethnic diversity is treated within their corporate culture, on their boards, and in the C-suite.

At the Hispanic Association on Corporate Responsibility (HACR), we are relentless in our mission to advance Hispanic inclusion in corporate America. The Hispanic and Latino population is growing faster in the United States than in any other developed country in the world, approaching 20 percent of the total population—but just 3 percent of Fortune 500 board seats are held by Hispanic or Latino professionals. Working with our partners at the Alliance for Board Diversity (Catalyst, the Executive Leadership Council, and Leadership Education for Asian Pacifics), HACR commits to revealing and repairing such a lack of racial and gender inclusion on corporate boards.

There are many reasons for this diversity deficit: the informal referral system for finding new directors among

nondiverse board members, an unwillingness to acculturate corporate board environments instead of expecting the assimilation of members, the assertion that it is difficult to find diverse candidates who “fit” the board culture, and more. Despite all the common attempts at justifying a lack of board diversity, it is imperative that boards reflect on these supposed justifications and their own culture of belonging to move the needle toward improved representation on boards, in the C-suite, and in the pipeline of future executives.

If your company’s board of directors is among those that lack people of color, or even if your board is already considered diverse, you can shift toward a more inclusive board culture with the power of intention. If your board supports diversity and inclusion but lacks intention, it is the same as not supporting it at all.

In math terms it looks like this: Diversity x Inclusion x Intention = Culture of Belonging. If intention is zero, it makes the entire equation equal to zero. Many companies publicly communicate their commitment to diversity and promote the

concept of inclusion but fall very short on intentional action. Those that focus on intentional action create organizations that actually foster a culture of belonging, rather than just claiming to.

So, what can corporate boards do to be more intentional about their culture of inclusion? They can act in the following ways:

- Actively search for directors of color, especially women of color. It's not only the right thing to do—it is smart business, supporting innovation and demonstrating the company's values to stakeholders, whether you're a business-to-business or business-to-consumer company.
- Promote acculturation, not assimilation.
- Widen your network. If your board claims that it can't find enough "qualified" board candidates of color, this is an excuse. Board selection is often based far more on network and sponsorship than it is on qualification.
- Avoid the excuse that a candidate is not a good fit, which is often code for not being willing to assimilate to a white-centric board culture.
- Reach out to diversity-focused institutions to help with your search.
- Host your corporate board meetings at a civil rights or cultural institution.
- Require your chief diversity officer to report to the board at every meeting.
- Foster a CEO succession plan that promotes intentional inclusion, even if that plan is years away.

Corporate boards that enact inclusion initiatives through purposeful action will not only see their racial, ethnic, and gender diversity improve, but will foster a stronger company that creates a sense of belonging for everyone.

Cid Wilson is the president and CEO of the Hispanic Association on Corporate Responsibility.

DID YOU KNOW...

The Hispanic and Latinx community in America constitutes the eighth-largest economy in the world?*

U.S. Hispanics have a \$2.3 trillion GDP?*

The Hispanic and Latinx population in the U.S. is growing faster than any other developed country in the world, approaching 20% of the population?

Just 3% of Fortune 500 board seats are held by Hispanic or Latinx professionals?†

If your company does not have a Hispanic member on its board of directors, you run the risk of falling behind.

The Hispanic Association on Corporate Responsibility is ready to help you build a more inclusive board and take hold of a competitive business advantage.

PARTNER WITH US

Email our Corporate Relations team at development@hacr.org.

**2019 Latino Donor Collaborative Report*

†2018 Missing Pieces Report by the Alliance for Board Diversity and Deloitte





Today's Boards Need Actionable Workforce Metrics

By Janet Foutty

Workforce strategies have been evolving for decades to meet the demands of the future of work—from empowering people to work productively with technology, to creating lasting value for themselves, their organizations, and society at large. Yet the governance of those workforce strategies has not kept pace.

Seventy-one percent of organizations surveyed for Deloitte's 2020 *Global Human Capital Trends* report say governing changing workforce strategies is important or very important for their success over the next 12 to 18 months. However, in a stunning readiness gap, only 8 percent say they are very ready to address this trend. In fact, many boards still primarily

rely on three very traditional human capital categories: head count, hiring, and turnover; salary costs; and workforce composition. Compounding the challenge is that only 1 in 10 organizations (11%) produce real-time data.

The collision of the COVID-19 pandemic and systemic racism has catapulted the need to ask the right human capital questions to the top of boardroom agendas. The answers can help boards zero in on the root causes for certain trends and behaviors to inform modern talent strategies, and provide the agility that access to real-time data offers to be nimbler during heightened uncertainty and changing priorities.

Deloitte has developed fundamentally new questions for organizations to consider in an effort to surface relevant, actionable metrics that can inform bold decisions around critical human capital risks and opportunities. This guidance, rooted in foresight and creative thinking, is exceptionally relevant to boards looking to modernize their oversight of talent matters and strategy.

To get started, consider the following key themes and what boards should ask to explore these themes in greater depth.

- **Meaningful diversity.** Are workers from diverse communities positioned to influence the organization? Organizations often fail to understand whether they are diverse in practice or in word only. Metrics that show the extent to which diverse workers are in a position to exert both formal and informal influence can provide a clear answer, as well as illuminate whether diversity is really creating competitive advantage through the embrace of diversity of thought.

- **Culture risk sensing.** What signals are we seeing that point to outliers in worker behaviors and norms? Consider adverse worker behavior as one example. Most organizations can identify and address events that stem from that behavior, but few monitor their worker base for signals that point to the root causes. Getting closer to the causes will be especially critical in this time of virtual work and the stressors that come along with it. It is also necessary as leaders take a closer look at identifying and eradicating systemic bias in their professional channels.

- **Job evolution.** How often are jobs changing, which ones, and to what degree? Fifty-three percent of respondents to Deloitte's 2020 *Global Human Capital Trends* report say that between half and all of their workforce will need to change their skills and capabilities in the next three years. As job catalogues and the jobs themselves change, does your investment in organization-wide continuous learning support that evolution? Just tracking the cumulative number of learning hours doesn't address how the organization is being reinvented and adapting to external change. For example, if you aren't seeing productivity gains as a result of new technologies being integrated into the workplace, then you may need to look at how jobs need to shift to take better advantage of those technologies.

For many organizations, the pandemic caused a rapid acceleration into the future of work, stress-testing their ability to blend people and technology in the most dynamic business environment many of us have ever seen. Now the question

becomes how can organizations sustain those actions and embed them in their DNA to create a new tomorrow.

With insights from the past six months, combined with the foresight and creativity to ask a new category of workforce questions, boards will play a critical role in guiding their organizations toward a more resilient future.

Janet Foutty is US executive chair of the board of Deloitte. She is also a member of Deloitte's global board of directors. Foutty previously served as chair and CEO for Deloitte Consulting LLP.

For additional insights, read the 2020 *Global Human Capital Trends* report at deloitte.com/hctrends.

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The social enterprise at work: Paradox as a path forward

Deloitte 2020 Global Human Capital Trends

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