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### CORPORATE GOVERNANCE PROGRAM

## Culture of Inclusion

By Beth Braverman

***The board's role in fostering companywide diversity.***

Diversity and inclusion have been business buzzwords for decades, but in recent years a growing number of companies have realized that creating a diverse and inclusive culture is not only good public relations, it's good for the bottom line.

A strong body of research shows that truly diverse and inclusive organizations outperform their peers. That research, along with broader cultural shifts, have powerful institutional investors now demanding that organizations within their portfolios show that they're making progress on measures of diversity and inclusion.

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Time for boards to break down their own barriers.

Even as companies make progress, there's much to complete. A new Deloitte study finds that while 8 in 10 professionals say that their organization has an inclusive workplace, nearly two thirds say they have experienced bias in the past year.

"A critical need for inclusive leadership, shifting U.S. demographics, and increased attention from investors has put an impetus on boards to address diversity issues," says Deloitte's chief inclusion officer Terri Cooper. "As organizations continue to drive progress, they are also realizing that their efforts must go beyond diversity to focus on creating inclusive cultures."

Much of the focus recently has been on increasing diversity within the membership of the boards themselves. There has been slow progress on that front. Last year, women comprised 40% of all board appointments and minorities made up 23% of new board appointments, according to Hendricks & Struggles' 2019 Board Monitor. At that rate, women would reach parity with men on appointments (but not board seats) in four years, but racial and ethnic appointments could take far longer.

Today's boards are realizing that their role in fostering a diverse and inclusive culture goes beyond simply making sure that the board itself is diverse, using their roles to foster a diverse and inclusive culture throughout all levels of an organization.

"We're making sure that we set the tone at the top and lead by example, but we also need to stay informed and engaged about what's going on at our company," says Michael J. Williams, chairman of the board for Realogy Holdings Corp.

Experts say there are several ways that board members can accomplish that goal. Here's a look at a few of them:

### Expanding the definition of diversity

While a board with a few members who are women or people of color may allow a company to check a box on diversity disclosure forms, progressive boards take a broader view of diversity. Having members of different experiences, ages, backgrounds, and sexual orientations can further enhance a board's ability to bring different perspectives to the table.

Creating a truly diverse board may mean looking at non-traditional channels for board members, beyond the network of existing board members.

In 2017, the Realogy board realized that it needed members with more experience with technology and franchising. The company worked with a recruiting firm to find candidates that could provide that expertise and requested a diverse slate of candidate for the position. In addition to looking for gender and ethnic diversity, the board was hoping to bring in some younger directors.

"Five years ago, we may not have been as worried about having a younger viewpoint on the board," Williams says. "But as we look at our business today, we're supporting agents and clients pursuing home ownership, and there are more Gen Xers and Millennials in that population now. We needed members that could help bring that perspective to the company."

### **Hold more inclusive meetings**

Having a diverse board and management team is not enough. If diversity is making sure that everyone is invited to the party, says Susan Angele, a senior adviser to KPMG's Board Leadership Center, then inclusion is making sure that everyone at the party gets asked to dance. At a board meeting, that means making sure that all board members have a chance to speak, and that differing opinions are elevated and considered.

At Realogy the board encourages the company CEO to bring his management team to board meetings, and it wants to hear from them.

"It's not just the top three or five people doing the presentation," Williams says. "There's a much broader base of people. We're seeing that next level down of talent at the organization, and making sure that we have the right people in place. They're not just sitting there with their hands folded and mouths closed. We want to hear different perspectives." Williams also aims to make sure all the directors' voices are heard. After each meeting, he calls each board member to make sure they had a chance to address any issues on their mind.

### **Keep diversity and inclusion on the agenda**

One of the most important ways that directors can promote diversity and inclusion within their companies is to ask about it at board meetings — often, even if the answers lead to uncomfortable conversations. Boards can and should ask questions about an organization's current diversity data, training programs to foster a more inclusive culture, efforts to tap into a more diverse talent pool for hires at every level of the organization, and pay gaps.

Realogy directors discuss diversity and inclusion related topics throughout the year. It comes up as part of their oversight of talent and succession planning as well as their ethics and compliance program. The board also receives reports looking at any trends identified via calls to the employee hotline, to see whether there are any emerging issues that it needs to discuss, Williams says.

### **Make management accountable**

In addition to asking questions about the current state of diversity and inclusion, board members can press management on creating a formal plan to address such issues. Once there's a plan in place, board members should hold management accountable for making sure the plan is carried out — and for providing regular updates on their progress.

Knowing that they'll need to show progress can incentivize management to make the changes necessary for it to happen. In some cases, the board might even consider using performance metrics around diversity targets in setting executive pay.

"Board members have to ask themselves: 'How do I know that management is really taking ownership and really being held accountable for making this organization more diverse and inclusive?'" Angele says.

### **Think outside the boardroom**

While numbers are important, they don't tell the whole story when it comes to company culture. Board members who get directly involved in diversity and inclusion efforts can not only get a firsthand account of how those efforts are playing out on the organizational level, but they can also serve as a visual reminder to employees that the board values diversity. Board members might attend meetings of a company affinity group, attend unconscious bias training, or serve as a mentor or sponsor to diverse employees.

Realogy board members conduct quarterly meet-and-greets with workers from across the company's brands and departments in a more social setting. They also often attend brand conferences across the country to get a feel for the culture and issues important to employees.

"We're trying to make sure we're meeting some of those young, up-and-coming stars in the organization, and give them the feeling that they can meet and talk to the board and feel like they're part of the company," Williams says.

*Beth Braverman is a freelance journalist who writes about corporate diversity, impact investing, and personal finance.*

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