



The View of DE&I from the Boardroom

Directors bring their own unique perspective to the timely issue of DE&I. So what has changed and what still needs to change from the perspective of America's boardrooms? Directors Roundtable editor **Dawn Zier** sat down with three leading directors with deep board experience for their thoughts on actions taken, progress made and how to move forward from here.

Participants

Shellye Archambeau, director at Verizon, Roper Technologies and OKTA

Patrick Gaston, director at Laird Superfood and former chairman of board at Bed Bath & Beyond

Myrna Soto, director at Spirit Airlines, CMS Energy, Popular Inc. and Trinet Inc.

MODERATOR: Dawn Zier, director at Hain Celestial Group and Spirit Airlines

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People + Strategy: How should organizations and boards measure and assess whether real progress has been made on this issue?

Shellye Archambeau: Whenever you have a problem, the first step is acknowledging it and putting focus on it. Companies have done that. There’s been acknowledgement, and that itself is progress because then you can start to put frameworks in place. The next piece is setting a strategy aimed to improve overall DE&I.

One way to evaluate if that strategy is taking hold is by watching how much the company talks about it with shareholders. DE&I is now discussed in annual reports and raised on earnings calls. That’s progress in the corporate arena. Then once you have a strategy in place, you need metrics to track progress.

And here’s where I see differences. Some companies have been very strategic in terms of understanding where they are by creating a baseline and then measuring how they’re doing against that, while others have used broader generalizations. Companies that put together quantifiable metrics and then measure against them are the ones making real strides. Another differentiator is whether a company’s overall approach to DE&I is an initiative off to the side or is it embedded into the overall strategy and fabric of the company.

Myrna Soto: I think we’ve made progress in a number of diverse communities as it relates to representation in the boardroom and some, but definitely not enough, on the executive leadership front. The frameworks that we consider

in a number of the companies that I serve on are broad. In one company, the board has focused on making sure dollars are being spent in a diverse way with suppliers. We’re forcing a bit of a narrative to ensure our executive management team looks to diverse sources of services, products and supplier bases so we can have a larger impact to DE&I outside of our walls.

It’s really about creating opportunity for smaller businesses run by diverse owners and entrepreneurs so they have a chance in the ecosystem. And that’s measurable. It’s important to set goals that we are held accountable to and to report against them. We won’t make progress on anything that isn’t overtly measured.

A real challenge is that you don’t want organizations to feel they’re being forced to hire, promote, place or appoint diverse candidates without strong qualifications. So, the key is really focusing on the interview cycle, the sourcing of candidates, whether it be for middle management, executive management or the boardroom, and really making a core emphasis on qualifications and experience.

Patrick Gaston: You get what you measure. Corporations are pretty good with measuring things they care about, whether it’s customer-, revenue- or profit-driven metrics, for example. On the DE&I front, companies have been measuring number of hires, number of minorities, number of women for years.

Measurement is important, but the emphasis needs to be on accountability. How are you holding people responsible? What are the implications if they get it done? And what if they don’t?

Are their bonuses tied to measurable change? Another way to ensure real progress is to drive toward having your workplace be representative of your customer base with a prerequisite that you must have the right skill sets.

P+S: We’re seeing diversity increase in the boardroom, nudged along by states like California, Nasdaq and some institutional investors demanding it. How do you feel about mandates around diversity? How do you think through board composition?

Soto: I’m not a fan of regulatory/legislative mandates because it forces the wrong behavior. You end up being in a circumstance where everyone in the boardroom is wiping their brow and saying, “We’ve got to find X to diversify the board,” when, in fact, that could actually compromise other forms of diversity, including diversity of skill sets, industry experience and thought leadership, that go beyond the color of someone’s skin, gender, etc.

If the SEC wants to say, “Look, I’m not going to mandate but I want you to disclose,” it triggers you to pause. It triggers you to think about how you’re making these decisions. And it kickstarts organizations that have been complacent to act.

On the other hand, progress has been slow, with some influx over the last couple of years as a result of large-scale public incidents. So you have to ask, “What does it take?” I’d much rather be adding diversity for the right reasons—to represent our customers and to represent the communities we’re serving.

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Gaston: When you have external stakeholders, including government, saying you need to do something about diversity, and when you have regulations and the threat of litigation, that creates a bias for action. So, yes, I think mandates and external pressures are helping companies get there faster.

But I don't particularly like mandates because they only get you so far.

In some corporate cultures, you might institute mandates with strong enforcement efforts, but some employees may not believe in the change that is being encouraged and may not do it. This makes it very difficult for sustainable change.

Archambeau: I've always said that until the shareholders care about DE&I, companies aren't going to care or focus on it unless the individual leader happens to have a passion and/or understands the actual business implications of it. When we talk about mandates, companies already have them. Shareholders want to see profitable growth. So profitable growth becomes a mandate. That's what they expect.

I don't have a problem with shareholders saying we expect you to have a diverse leadership team because we see that diversity leads to better returns, and we want better returns. But I do find that when we start to get down to—I'm going to make it up—every board has to have 30 percent women, two Blacks, one Hispanic, one Asian, etc.—that becomes way too constricting because boards evolve. Overall, we want

a diverse board that reflects overall society, but boards are dynamic and you need to be able to flex.

P+S: Progress on diversity has been slower in the C-suite than in the boardroom, which seems like a disconnect because the C-suite has historically served as the pipeline for future directors. How does this ultimately get addressed and how should the board provide oversight around this?

Archambeau: One reason we've made more progress in the boardroom than in the C-suite is because we have a much broader pool of candidates to pull from for boards. For boards, we can select people who have experience from all over the world, in all kinds of industries and functional areas. And two, we're still not effectively making sure that we have a diverse set of rising people who have all the skills that we want them to have when they start to get to that senior level. I think many times we take the easy route—we need diversity so we put people in slots versus putting them on career paths.

What happens is they get pretty high up in the organization, but they haven't run a P&L at scale. So are they really in line for a C-suite job? No. If they are, it's often a staff job, and not an operational role. So we have to do a better job of being intentional to make sure our pipeline candidates are getting all the skills they need to be able to effectively compete

because otherwise, they're on the list, but they're not going to land the role.

In addition to intentional career pathing, there are simple things that companies can do to drive progress. CEOs should ask all their direct reports to sponsor two people in the organization who don't look like them. Notice I said "sponsor." Part of being a senior leader is being able to identify and develop talent, so prove it. When leaders understand they're being measured on how well they develop and groom people, they will drive change.

Gaston: Hiring for diversity in the C-suite is more difficult than hiring at the board level. It starts with the will, the plan, the accountability structure and the ability, frankly, to get it done. Not all CEOs are readily equipped to do it. So once you get to a place where you can effect change, whether as a director or an executive, you need to push to make sure that the leaders reflect what you're trying to do, not just in terms of how they look, but in their ability to look within the enterprise and establish a plan and accountability to start bringing up the next generation of leaders.

Boards should be challenging and holding CEOs accountable to doing this. C-suite executives generally are smart; they know that if they drive sales and achieve defined financial and strategic outcomes, they'll get rewarded. But they might just gloss over the DE&I initiatives. If you make DE&I metrics part of the bonus calculation, people are going to start paying greater attention to it.



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—Myrna Soto



Soto: I’m part of the Latino Corporate Directors Association. For years, we’ve focused on how many people are on the executive track for a variety of organizations. We’ve made some progress in that arena—in some industries more than others. But now we’re spending all our energy on core readiness programs.

Just because you have a C in your title doesn’t necessarily mean you’re going to be a formative and effective board member. One of the ways we’re trying to tackle this is to identify functional leaders who have both business acumen and that innate leadership quality and get them board-ready.

I also serve as a faculty member for World 50, a membership organization that pulls together the top 50 CXOs by function. So, the top 50 CMOs, top 50 CEOs, etc. We’ve developed a program called Next Director, which takes people and nominations from these World 50 groups and builds their competency in becoming a board director to create the next pool of potential directors from a diverse population—diverse in terms of both function and core diversity. These are the types of frameworks that I think more companies need to use.

P+S: Are you seeing robust discussions around DE&I in the boardroom and what does that look like?

Gaston: Conversations around DE&I are much more common when you have something like what happened to George Floyd or something sensational take place. We see it on CNN, we see it on Fox, and it can serve as a catalyst to do something. But my view is that sustainable change shouldn’t be reactionary.



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It needs to be a disciplined, strategic, methodical approach tied to the bottom line, with both the C-suite and board understanding the strategic rationale and their role in making it happen.

There's a wonderful opportunity for boards and CEOs to do that and do it the right way. But despite many conversations, it's not happening fast enough. And I worry that ultimately it could get to a place where other watchdog organizations jump in and it becomes less effective, less strategic, less impactful and people are just checking the box. I'd hate to see that happen.

Archambeau: DE&I should be something that is reported to the board as part of the overall strategy and dashboard of how we're doing. It should be embedded in all conversations and not a standalone agenda item. If you're truly focused on DE&I, it's more than internal talent metrics—it's how we do business. What do our customers look like? What do our suppliers look like? Is our advertising representative of who we serve?

Soto: We can only diversify boardrooms to the extent that board seats become available, and it's a numbers game. There's a finite set of publicly traded board seats. One thing worth revisiting in the boardroom is adopting age or term limits that make sense for the company and make sense for the dynamic of the board but that also allow for more

refreshment to create opportunities to enhance diversity at a heightened pace. One of my companies just added an age limit for this specific reason. That's a bold move.

P+S: Can you share examples of initiatives inside or across organizations where you think real strides are being made? Are you seeing programs within companies being implemented to elevate, develop and invest in diverse talent—and are they resulting in real change?

Soto: What is working really well in several organizations that I'm associated with is changing the way that we look at the requirements for a role and doing talent mapping. We look at all our peer companies and competitors and measure how diverse their executive management is versus ours.

Where do we have an opportunity to look at different candidate pools that we may not have looked at in the past? Some companies have a harder time than others accepting the idea of, "Can we look outside of the industry?" These are the types of conversations that boards need to focus on and influence as much as possible.

I also applaud what Accenture did back in 2017 when they said they would reach workforce gender parity by 2025. They achieved that in late 2021. This is a great example of a CEO who went

on record and made a commitment to change and to transparency. We need more CEOs who are willing to publicly commit to diversity metrics.

Archambeau: One of my companies created a steering committee because they realized they needed to jump-start change. They invited one board member to be part of this effort and the board member would then give an update at the board meeting in a similar fashion to committee updates.

Transparency and visibility to the board underscored to the employees how important this issue was being regarded. Another thing that can be done is to create opportunities for diverse employees to have engagement or interaction with the board on a periodic basis.

Gaston: A lot of companies have instituted councils that bring diverse employee groups together to create inclusion. However, these groups don't generally address some of the most troubling issues around DE&I, such as real equity in the workplace. So, I'm not sure about their lasting utility, although they were created for the right reasons and probably do have an impact in getting the C-suite to move faster.

If you're going to have a council sort of approach, it might make sense to look from the outside-in. At Verizon, we created a board of external consumer advisors that reflected the diversity of our marketplace. We invited leaders from the NAACP and different consumer and institutional groups—people whose voices we thought were important and reflective, and who could tell us what was going on outside of our microcosm and provide thought leadership on how to positively accelerate change. ■



The Directors Roundtable was hosted by **Dawn Zier**, the former CEO of Nutrisystem and a current board member at Hain Celestial Group and Spirit Airlines.