REPORT ON Racial Inclusion IN THE Boardroom

A Workshop Convened by Harvard Business School’s Leadership Initiative and Board Leadership Project
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THIS REPORT WAS PREPARED BY HARVARD BUSINESS SCHOOL PROFESSORS JAMES I. CASH, LINDA A. HILL, HUBERT JOLY, LYNN S. PAINE, AND SURAJ SRINIVASAN, WITH THE ASSISTANCE OF CARIN-ISABEL KNOOP, EXECUTIVE DIRECTOR OF THE CASE RESEARCH AND WRITING GROUP, AND RESEARCH ASSOCIATE EMILY TEDARDS. THIS TEAM WOULD LIKE TO ACKNOWLEDGE THE FOUNDATIONAL WORK BY HARVARD BUSINESS SCHOOL PROFESSOR JAY W. LORSCH ON CORPORATE BOARD COMPOSITION AND GOVERNANCE.

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On February 12, 2021, 28 CEOs and board leaders (13 Black, 12 women) of major U.S. companies gathered with 12 HBS faculty members for a workshop on Racial Inclusion in the Boardroom. The ambition was to provide a psychologically safe space to develop insights and guidelines for how boards can become more inclusive for Black directors. A list of the participants is provided in the Appendix.

While many efforts are underway to add more demographically diverse directors to boards, very few are focused on inclusion—creating an environment where differences are valued, and all members have equal opportunity to exercise influence and move into leadership positions. Our objective was to have a courageous conversation about the experience of Black directors in the boardroom and, based on that shared understanding, to identify actions we can take to improve their experience and enhance the ability of boards to contribute to corporate success and promote a more equitable society.

The workshop began with a panel and plenary discussion of the challenges Black directors face in the boardroom. Breakout groups then explored root causes of those challenges as they discussed how to address them in each phase of the director life cycle, as noted below:

i. Recruitment / Selection
ii. Onboarding
iii. Board Dynamics (Internal)
iv. Board Dynamics (External)
v. Board Leadership
vi. Board Education
vii. Raising and Discussing Race-Related Topics

In the opening discussion, several participants underscored the timeliness and importance of the topic. The crises of 2020 marked a turning point, said one, with many companies declaring their commitment to anti-racism.
and support for social justice organizations. It became okay to say “Black” again (vs. multicultural) and discuss real differences in wealth accumulation between Blacks and other demographic groups in U.S. society.

Many organizations made what a participant called “a nice public service announcement” about their commitment to the Black Lives Matter movement and anti-racism. Millennials in particular then pushed companies to turn their words into action, shaming corporates by posting photographs on social media of boards and top management teams that lacked diversity—especially of companies with a significant number of Black customers or content providers. Other companies were criticized for bringing in one Black director and declaring “mission accomplished.” “There was a collective ‘oops’ from corporate America,” as one director put it. While participants acknowledged that efforts have been made to increase Black representation over the past 10-20 years, they welcomed the renewed push for diversity. They underscored the importance of the issue from business and moral standpoints.

No longer can we claim we are a “colorblind society,” as one director put it. The group agreed the time has come to build on the momentum to address racial inequities and engage in honest conversations about race, despite the deep discomfort many have about the issues.

The numbers of Black directors are growing; for many, this will be their first placement on a board. To enable their success, companies must provide supportive, inclusive environments. Training and development are imperative for the full board, not just new Black directors.

Below we use participants’ anonymous voices to present the key challenges they identified, options and opportunities suggested to address them, and topics for further discussion.¹ This workshop has inspired us at HBS to do more. Our next action steps will include further research, publications, and creating new workshops and other educational experiences.

¹ Some participants expressed serious concern about the lack of diversity (race and gender) on boards of PE- and VC-backed companies. Participants noted the importance of more transparency around those boards and their composition and suggested that large institutions partnering or investing with those firms should require them to be more transparent and signal the need for improvement if diversity is found to be lacking. Participants also emphasized demographic changes in the United States: Blacks are better represented on Fortune 500 boards than Latinos and Asians (which are growing faster as population groups). Board representation of these other communities also needs to be addressed; participants urged that efforts be made to avoid competition for board seats among URMs (underrepresented minorities).
**CHALLENGE:**

Lack of clarity and alignment on Diversity, Equity and Inclusion (DEI) objectives.

Better boards make for better businesses. A number of the comments, therefore, addressed the effectiveness of boards in general. How well are our boards operating? Several participants stated that they believe that a more diverse board is a better board. Although demographic diversity and our different lived experiences lead to more diversity of thought, the research is clear that diversity of thought only improves problem solving when that diversity is embraced.

**CALL TO ACTION:**

1. **Clarity from board leadership about DEI objectives.** The chairperson and/or lead director need to engage the board in articulating its role in creating a more diverse and inclusive organization. They must be consistent and persistent change agents, setting goals and holding people accountable for them. The board needs to be specific about its expectations of the CEO.

2. **DEI agenda owned by the board.** Once there is alignment about DEI objectives, the nomination and governance committee can guide the effort to select and develop Black directors. However, DEI discussions should also be held at the board level, not just at the committee level, since inclusion is about the mindsets and behavior of all board members. Board leaders must create the time and the space to have what admittedly may be difficult conversations (early on, training or even outside facilitators may be required).

3. **Clarity on expectations of Black directors.** Participants indicated how important it is to ensure alignment between Black directors and board leadership about their role—expectations relative to their particular professional expertise and experience should be discussed. Participants debated how best to acknowledge or discuss DEI with a Black director. Many contended that DEI should be an explicit topic of conversation. For example, one participant noted, “We often don’t acknowledge race when we bring in a Black director. A lot of people think it’s more appropriate not to address it and be colorblind, but we need to be much more explicit about needing and valuing [Black directors’] perspectives.” Another participant remarked, “I would like to know if the white CEO has ever sat down with a Black director and said, ‘I need you to represent your Blackness more in the boardroom.’ Do you expect your Black directors to do anything different from everyone else?” Some say they have been told, “I want nothing more from you than any other director.” Others say, “I want all of you.”

4. **Lead director as “mentor in chief.”** The lead director must ensure that all new directors, especially Black directors, have mentors and that the mentors are clear about their responsibilities. First-time directors especially need help understanding the company’s “lingo,” unspoken rules or norms, and shared tacit knowledge. Lead directors should follow up periodically with new Black directors. Lead directors should find opportunities to invite new Black directors into board discussions if they are finding it challenging to speak up or be heard by the majority directors.
CHALLENGE:

Actions must match the rhetoric.

DEI should not be, as one participant put it, about “checking the box.” Leaders must be tough-minded about achieving better results. “We need fewer excuses,” as one participant said. Another remarked that it is relatively easy to change the complexities around the boardroom table; it is another thing to change the “economic paradigm” about race—with regard to directors, employees, suppliers, and the communities in which a corporation operates. The value proposition for DEI should be spelled out and embedded in the strategic business plan.

Companies have instituted programs to facilitate diversity on boards; the most progress has been made for white women. Several participants mentioned the role of the Catalyst Champions for Change pledge to accelerate the advancement of more women into all levels of leadership. As one woman described, “Over the last 25 years, we’ve been mentoring women, promoting them, giving them high visibility assignments and having them represent the company in nonprofit endeavors.” However, the same opportunities have not been afforded to African Americans to the same extent. In the past year, several new programs have emerged focused on improving the pipeline for Black directors.

In reporting diversity data, too many companies choose to aggregate across groups and shy away from full transparency about demographic diversity. To be sure, across the globe, laws do vary about what demographic information can be collected and reported, and there are legal ramifications for appearing to have “quotas.”

CALL TO ACTION:

1. **Disaggregate data. Be transparent.** Summary statistics (e.g. about hiring, promotion, retention, developmental opportunities) can be very misleading, and mask unintended inequities. Analyses should look for differences across race, gender, age, and level. For instance, only when data were disaggregated did a company discover that outside educational opportunities were not used by people of color at certain levels in the company, because they could not afford to do so.

2. **Evaluate DEI progress.** Milestones and metrics should be set, and accountability assigned for achieving them. Boards should encourage their companies to report their results.

3. **Advocate for economic justice.** According to some participants, Black directors have a responsibility to fight for economic opportunity for the Black community. One director noted that Martin Luther King, Jr., said that progressive whites deplore prejudice but ignore economic injustice. How can white CEOs become more comfortable speaking the truth about economic injustice? Many expressed concern that as the wealth gap grows between the Black community and other demographic communities, over time, the pipeline for Black board members will shrink and only exacerbate inequities in our society.

4. **Advocate not just for supplier diversity but also “business diversity.”** Boards should encourage management to go beyond supplier diversity. Companies should also be intentional about pursuing opportunities to increase diverse leadership and ownership in key economic sectors like finance and technology, where significant wealth and power reside today.
CHALLENGE:

Talking about race is uncomfortable.

It is not easy to discuss issues related to race. Board leadership must invest in the developmental efforts required for the board to have constructive discourse and debate around these topics. The subject of race is too urgent and essential for us to ignore. Diverse directors should not be the only spokespeople for DEI. Everyone needs to own it.

CALL TO ACTION:

1. **Make race a topic in the boardroom.** The best leaders want to hear from the most diverse voices no matter what the topic. A major function of the board is to provide a forum for diversity of thought and constructive debate. All directors need to develop the skills required to engage in courageous conversations.

2. **Black directors need to speak out and speak up.** “We don’t want to be typecast as the ‘diversity director’—the only one who brings up diversity issues,” as one Black director remarked. He continued, “But if you’re on a corporate board and don’t speak up about economic injustice, it will not come from the white men around the table. The white CEO will think things are great, and all is okay, if the Black director doesn’t say anything.” White board members, especially the chairperson/lead director and CEO, need to encourage discussion about race. “Everyone should be comfortable talking about uncomfortable issues,” as one director stated. With practice, authenticity and willingness to show vulnerability will build trust among board members.

3. **Black directors can serve as trusted confidantes or advisors.** Several directors mentioned that the murder of George Floyd had opened up discussions about race among board members. Black directors shared what they were feeling with their white counterparts. One director observed, “My saying that I worried when my kid was out driving alone was a surprise to many of my white colleagues. I think that made [George Floyd and the Black Lives Matter activists] seem more human [to my white colleagues].” Another remarked, “Just saying the word ‘Black’ opens up a lot of candid professional conversations.” Another director told her CEO and other board members: “Ask me anything you want—your dumb questions, everything. They all took me up on that offer. We are still in a moment where we’re trying to figure out how to have honest discourse. Having that in the boardroom is still very challenging.”

4. **Promote a systemic diagnosis and response to DEI issues.** For example, a major societal challenge is addressing health inequities—especially in Black communities. Health is not just about physical and mental well-being or even access to healthcare; it is also about having sufficient food or housing. So even companies outside the healthcare ecosystem should think about the impact of their business portfolios and philanthropic dollars on Black communities. Bringing diverse perspectives into the boardroom can ensure that the big picture is considered. As a director said, “It’s not pandering—it’s where our customer base is, our employees are, our communities are. Without the representation of those diverse voices, we underplay the impact we can have on long-term sustainable value.”
CHALLENGE: Tokenism—the “one and done” practice.

Having a critical mass of diverse directors helps build an inclusive board culture. It is an indicator that diversity is valued. Lone URM directors described the challenges they face in having an influential voice not only about DEI but also other topics.

CALL TO ACTION:

1. **Be a beachhead.** An important goal for a Black director is to help bring other Black individuals onto boards. However, too often when searching for new board members, “Companies fish in the same ponds,” one participant noted. Many Black directors serve on many boards. A Black director who sat on several boards recalled being approached by a search consultant who wanted her to leave one board so she could join another that was looking for a Black director. “This shouldn’t be happening,” she told the consultant, refusing the proposal and urging the consultant to seek out other Black candidates for the open seat.

2. **Rethink how we define skills and contributions.** Most boards use a skills matrix to look at board makeup and identify needs. One category of need should be demographic diversity. As one director put it, “We need to see the diverse social-cultural backgrounds of board members as bringing economic value to the CEO’s decision-making.”

CHALLENGE: Black directors rarely find themselves in leadership roles.

Board leaders such as the chairperson, committee chairs, and lead director have significant power to influence how boards and committees function and how agendas are set. Participants noted that relatively few Black directors hold these positions today, and that the path to appointment is often unclear.

CALL TO ACTION:

1. **Place Black directors in positions of impact.** Prepare Black directors for leadership positions on the board. There should be transparent practices about the criteria and selection of directors for leadership roles. The chairperson/lead director should discuss with Black directors a plan for developing the experiences required for leadership roles.
**CHALLENGE:**

**One-size-fits-all onboarding.**

Onboarding matters, particularly for Black directors and first-time directors (many Black directors are first-time directors these days). The first months/year of being a board member are an important time for all directors to establish credibility and confidence. Black directors are less likely to have been CEOs and exposed to how boards operate. Because we live in a more segregated society than we often realize, many new Black directors do not have pre-existing relationships with others on the board or the management team.

**CALL TO ACTION:**

1. **Welcome the board member to signal an inclusive culture.** The chairperson/lead director and CEO should be intentional about designing a fit-for-purpose onboarding experience for the Black director. They should consider what experiences and information the board member will need to function effectively inside and outside the boardroom. A board member who joined a board during the pandemic noted that few of the other directors reached out to her to introduce themselves. She took the initiative and called many of them in order to make her first board meeting more productive.

2. **Identify the best way to provide information and mentoring.** Connect Black directors with the mix of people they will need to know and work with on the management team to ensure that the directors have the information and contacts they will need. As described earlier, the chairperson/lead director and CEO should have conversations with Black directors to make sure there is a mutual understanding of expectations and ways they can best contribute (these should be two-way discussions, in which the Black director shares his or her thoughts on these matters). This may be a time to introduce the director to Black executives in the company (if none sit in the C-suite). Think about assigning a buddy or mentor to new directors. It was suggested that if the new director is the only diverse or Black director, perhaps an introduction to a Black director of another company, or programs designed for Black directors, might be in order.

3. **Recognize that not all Black directors are the same.** Different onboarding processes may be needed for different individuals based on their experience. Be intentional, upfront, and direct about any concerns about gaps in an individual’s experience, and develop a plan to address them. Remember that no director knows it all, and every director was new to governance at some point.

4. **DEI as a business imperative.** Share the DEI agenda with all new directors as a part of the onboarding experience. For new Black directors two messages are particularly important: 1) we are bringing you in because we value the contributions you can make to the board and company; 2) we recognize that you are Black. Bring your whole self to the boardroom. We want you to leverage your Black experience in helping us address challenges and opportunities the company faces in advancing DEI in the broadest sense.
Facilitate new relationships with gatherings and one-on-one sessions. (This was easier before the pandemic.) People’s social activities are a matter of personal preference. Still, as was pointed out, Black directors can find themselves excluded (unintentionally) from activities that subgroups of board members do together outside the boardroom (e.g., regular golf outings at a member’s club, attendance at sports events, or gathering at vacation homes). When possible, more “social” board events (dinners, trips) should be offered to help build connections among board members. These events can be linked to important company purposes (visiting a critical facility, understanding a key customer, learning about the industry, understanding the company culture as it exists on the front lines). Many participants pointed out that developing relationships outside the boardroom is key to getting the most out of directors inside the boardroom.

Improve onboarding for all directors. Participants noted that onboarding of all new directors should include discussing the company’s DEI agenda, and what mindsets and behaviors are expected to support an inclusive culture.

Provide feedback early. The chairperson/leader should check in periodically with new Black board members. Don’t wait for the annual board review.

Be intentional, upfront, and direct about any concerns about gaps in an individual’s experience, and develop a plan to address them. Remember that no director knows it all, and every director was new to governance at some point.
The workshop discussion generated many suggestions for steps that board leaders and boards can take to become more racially inclusive and welcoming to Black directors. Participants noted that many of these steps would also improve the experience for non-Black directors and contribute to greater board effectiveness more generally. We hope that other directors and board leaders will find these suggestions helpful as they seek to become more inclusive stewards of the companies they serve.

Workshop Participants

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