Pearl Meyer

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Isolating Inclusion

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It sounds like an oxymoron, but the term “isolating inclusion” may be the best path forward in the near term. With the umbrella of environmental, social, and governance matters perhaps becoming too politically charged (even Institutional Shareholder Services is noting this trend), and with the atmosphere around diversity, equity, and inclusion becoming a little foggier in the aftermath of the US Supreme Court’s rulings on affirmative action, it is a challenging time for boards to evaluate and consider a variety of nonfinancial metrics. Yet many of those metrics are critically important to an individual company, regardless of any overarching set of initials.

For these types of metrics—which may include strategic milestones, progress toward opening new markets or launching new products, or a reduction in climate-impacting actions—perhaps boards are better served by focusing on performance drivers rather than performance outcomes. We all know that behaviors are often the most impactful influence on nonfinancial performance, and it's often said that "Diversity is a fact, but inclusion is an act." In this context, isolating “inclusion” may be the best way for boards to ensure that the company's culture, which is heavily connected to its inclusive nature, will encourage and reinforce behaviors that positively contribute to the success of critical nonfinancial goals and objectives.

The following are some probing questions board members might ask to assess the company's effectiveness with respect to creating and realizing the benefits of an inclusive culture.

Initial Hiring: *It all starts with the hiring and selection process.* Is the company looking in the right places? Does it have the right hiring criteria? Are hiring managers unbiased in their candidate evaluations? This applies at all levels of the organization, from interns to senior executives. It often takes hard work and behavioral change to get the right people in the door.

Investing: *A successful hire is the beginning, not the end, of the process.* What investments are being made to ensure the success of new hires? Is the company consistently offering competitive pay, professional development opportunities, training, coaching, and career advancement? The focus should be on the return on investment, but you can't get the return if you don't make the investment.

Involving: *People need to feel connected.* There needs to be something greater than a transaction of labor for wages. Are there communities or groups within the organization that new hires are connected to? Does the company consistently assign people to internal projects or initiatives where their perspectives and capabilities can add value? How is leadership ensuring that each person's voice is being heard? This needs to be a conscious and intentional act, not left to chance.

Integrating: *All processes need to be aligned.* That includes hiring, onboarding, compensation, performance evaluation, training and development, and succession planning. Inclusion needs to permeate everything the company does from a talent management perspective. Where is the company today on the spectrum of integrating these activities? Where does the company aspire to be and how long will it take to get there?

Institutionalizing: *This needs to become "how we do things around here."* It is not how human resources wants the organization to think and behave, it is not how one group within the organization thinks and behaves, but it is how the company as a whole thinks and behaves. This is a critical aspect of the culture. Does it seem the company is "pushing" its agenda? Or are people asking, "Haven't we always done it this way?" and saying, "This is who we are"? That's when you know you have a sustainable culture of inclusion.

The simple act of asking a few probing questions can yield key insights into whether the organization has truly embraced inclusion and, therefore, the extent to which you can expect results on key nonfinancial objectives. Are you ready to pose these questions at your next board meeting?

About the Author

Greg Stoeckel is a managing director and consulting team leader at Pearl Meyer. In his management role, he oversees a team of senior compensation consultants in the execution of the firm's growth strategy and in the development of consultants at various stages in their careers. In his consulting role, Greg is a senior advisor to compensation committees and executives on all aspects of executive and non-employee director compensation.

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