

SOCIAL ISSUES AND CORPORATE LEADERSHIP:

Lighting the way for meaningful progress



2020

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Q&A

Diversity and inclusion in the workplace start with corporate leadership



Featuring [Tracey Walker](#)

RSM National Senior Director of Government Affairs and Culture, Diversity and Inclusion

As the United States has experienced a powerful social justice movement in 2020, business leaders everywhere have looked inward to evaluate their culture, standards and progress on social issues, such as equality, diversity and inclusion. In the following pages, RSM US LLP examines the path forward.

Tracey Walker, the firm's national senior director of government affairs and [culture, diversity and inclusion](#), discussed how boards of directors can advance diversity and inclusion in their companies. The following Q&A has been edited for length and clarity:



For boards of directors, what are the most important considerations for advancing diversity and inclusion in their organizations?

One of the greatest assets from a business perspective is talent. One of the ways talent tests for inclusiveness appetite and social commitment is by looking at the behaviors of leadership.

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From a board's perspective, then, you have to test the four pillars of readiness—workplace, workforce, marketplace and community—for conversations on inclusion, social justice, forward-thinking, action and readiness, and all of the social issues (environmental and others) that people care about. And there are three main buckets that the social conversation goes to: access, participation and equity.

Is there equal access to every opportunity for everyone? Is there equality in people's abilities to participate fully? Then the third leg of the stool is equity. We are not only focused on equality, but also equity, meaning you're meeting people at their point of need, not your point of uniform distribution. People have different needs. Do you have unique programs that meet the needs of your unique populations at important points in time?

Access, participation and equity—a lot of companies are looking at these social issues around their industry, and they're applying that lens to determine whether they are doing the right things. Then, above all of that, is leadership equipped to help you do the right things?



Do you have inclusive infrastructure, training on unconscious bias, managing bias, leadership dexterity and those kinds of things? Can your leaders have the conversation and drive the strategy so you feel good about the business? That's a message that carries down to the most important aspect, which is the people. They buy into it. They drive it. They help create the culture, but it starts with the tone at the top.

What does it take, then, for companies to cross the bridge from talking about social issues to taking meaningful action to facilitate change?

You cannot be afraid of your own data. Data tells a story. Who gets promoted? How often? Are minorities and women in their positions longer than others before they get promoted? Is there any disparity at all? Once you really take a hard look at the data, you can really say what actions you have to take to remedy it. Then there's training on the actual behavior.

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In inclusion, there's a notion of "suspecting" versus "respecting." If you don't know a co-worker and you default to behaviors, then you're making assumptions instead of asking for information. Imagine how you behave if you're suspected, and you're looking at your peer who is respected, and all the behaviors that go with that.

There needs to be training just to make people conscious of that. There are interventions companies can make corporately and personally that can be required before you manage a team. Before you take on a leadership role, you have to take some interpersonal training.

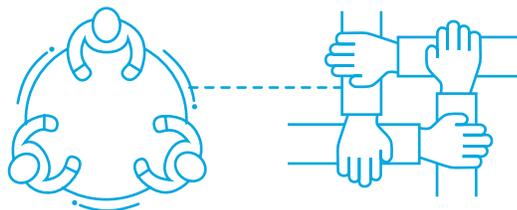


You sit on boards. What are these conversations like? What responses, questions and even pushback do boards have to break down in order to frame these issues properly?

Resisting Band-Aids. "OK, our board is not diverse enough, so we need to add four chairs and fill them all with Black people and women." That doesn't sound like a real, sustainable solution for this problem.

You have to look at culture. Culture is comprised of individual behaviors of a group of people. So what are we doing to drive the behaviors that drive the culture that we want? Then, what *is* the culture that we want? We want a culture of inclusion—great. The best possible outcome is that our leaders are modeling inclusion, and they've been trained to speak the language. They're holding each other accountable—and that's a whole other conversation.

People do not want to call out their friends and colleagues with whom they've worked so long to make partner, and say that they are bad actors in this space. That is very difficult. So the best possible outcome of wanting a great culture is a leadership that understands it, models it and embeds it. There are many benefits of leading diverse teams and having an inclusive culture. But the bridge between understanding this academically, and profits and market share actually going up, is a long bridge.



What other foundational steps can companies and their leadership take?



One thing that was born of recent events was leadership courageous conversations and town halls. Historically, this has been a risky endeavor because corporations aren't sure they want a public audience with their shareholders that enables the media and other evaluators to say, "OK, well this company has trouble." Now the stock value drops because they couldn't control the potential impacts and risks.

But I think that companies, leadership and boards have grown up. They want to hear specifically what people are saying, what they need, and figure out how to address it. Are we ready? Do we have a statement? Do we have a plan?

It's not a bad thing if you are just starting to think about it. The positives come from what that thinking produces, not just the effort to consider it, not just a statement on your website. Let's not confuse effort with results, and boards of directors want results.

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? Why?

Because people don't put in the effort. They say: "I'm a good person. Are you a good person? OK, we check the good-person-good-company box, so I don't really have to do anything. I'm going to believe in this and hope that these other things magically appear without taking these intentional steps." The board can hold leadership accountable for taking the action steps, for doing the hard work.

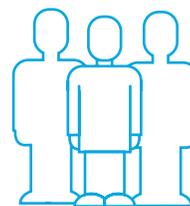
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? You mentioned the data about promotions and tenure for employees. What other data points or categories could help a company establish standards for diversity and inclusion?

In your recruiting, how many diverse applicants do you see? How many applicants get to interview? How many candidates who interview get offers? And how many of the offers are accepted? Now, the shocker is many recruiting groups don't even measure the type of applicant. That might uncover all kinds of problems.

Then the person gets in the door. What kind of assignments are they getting? How long do they

stay in their role before they get promoted? Is it fast? Is it on average with everyone else? Is there equity? What are their performance ratings?



We hear all the time: "We can't promote anyone because there's no one in our pipeline." Well, why is there no one in the pipeline? "Because we can't find anyone." Why can't you find anyone? What about all the people you hired and recruited? "They weren't a fit." So it's a pattern that's cyclical and perpetuates itself.

But imagine the reverse. I often ask people in conversations on inclusion, "What if the opposite were true? What would that look like in recruiting diverse populations and other populations if you're being intentional about interviewing diverse candidates? For every opening, we would have diverse candidates on the interview slate. We would make the resumes agnostic. It would really be about skills and competencies. It would be the same thing in our processes for promoting employees. Now—wow!—in the pipeline we actually find women and minorities with a variety of perspectives. But you have to be intentional in reversing that cycle.



What if we were intentional about grooming partners or leaders for the board of directors? We would tell them, "These are the skills need you to have. We don't know whom, exactly, you'll be replacing or at what point. But we see something in you that indicates you would give good perspective in a board position. Therefore, we want to help you put those tools in your toolbox." That's intention.

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Some companies approach it as: "We'll just wait and see if it happens accidentally." That's not even logical from a business standpoint. What business would say: "Gee, I'd really love to capture that market over there. I'm going to sit here and *really hope* that it happens." No, they will do everything on heaven and earth to capture that new market.

Diversity and inclusion should not be treated differently. If it's a business imperative, then the directors and the leadership have to be in sync about prioritization, appetite, resources, programs, process, policy and people—just like in any other business endeavor.

Realizing change can seem like trying to boil the ocean. How optimistic are you that leaders can drive real progress?

I do believe micro things have a macro impact. If companies have enough small behaviors, the tipping point for inclusion arrives. Those microbehaviors have to be driven from the top. The board has to call the leadership into account. The leadership has to call the line into account. The line has to practice it so the talent feels the change. Then the talent is your biggest word-of-mouth advertising—hey, come work here; this is the place to be. It does cascade.

We cannot judge for ourselves where our bias is and how it shows up. And if you have 1,000 or 100,000 people in a company who can't really see what's going wrong, then you have to have a board that intervenes and asks for the change in behavior, to call attention to it. You can't leave it up to the individual. It has to come from leadership.

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INTENT AND VULNERABILITY: "AN INSTANT TRUST MIX"

RSM is training its leaders to declare intent and vulnerability when working with colleagues as part of the firm's initiative encouraging courageous conversations about social issues.

Tracey Walker, the firm's national senior director of government affairs and culture, diversity and inclusion, explained that the declaration should occur at the front end of a feedback conversation. At the start of her recent interview with NACD *Directorship*, she illustrated her point by saying the following:

"My intent in speaking with you (the interviewer) is that you become a rock star in your role," she said. "Now, I'm going to get vulnerable for a minute. My fear is that I'm going to say something that might offend you. I might misspeak or say something clumsy. I'm not going to get this right as we talk about this. But I want you to know my intent is to help you excel at this project.

"So now you don't have any fear of me. We have established some trust. It's like an instant trust mix. We've put these ingredients in—intent and vulnerability—and you get to a level of trust faster so you can move forward, have your conversation and build a relationship. These are little things we have to teach people so they can break down barriers."

Amid pandemic and social unrest, **COMPANIES CAN MAKE LASTING CHANGE**

By [Anthony DeCandido](#), Partner and [Nelly Montoya](#), Senior Director
Financial Services Senior Analysts



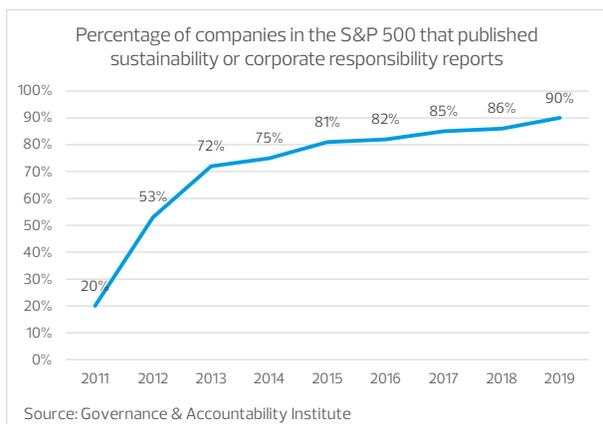
Now is the time to renew dedication to sustainable practices

As devastating as the upheaval of 2020 has been, the coronavirus pandemic and the civil unrest over racial inequality should ultimately make businesses more committed to sustainable practices in a way that will benefit not only their investors and workers, but also their community as a whole.



In August 2019, the Business Roundtable, a group whose members are CEOs from some of the nation's largest companies, [redefined the purpose of a corporation](#) from simply making profits for shareholders to benefiting multiple stakeholders—customers, employees, suppliers, communities and shareholders. The statement followed years of increasing pressure on businesses to pay more attention to the way they operate, especially when it comes to their practices regarding environmental, social and governance issues, or ESG.

It's not a passing fad, either. In 2019, 90% of S&P 500 companies published reports on their corporate sustainability, according to annual research by the Governance and Accountability Institute. That's an all-time high, up from 86% in 2018 and an increase from 20% in the first year of GAI's research in 2011.



This commitment, though, is facing perhaps its greatest test yet.

All over the world, the public at large has watched closely as political, community and business leaders have reacted to the human and economic toll of COVID-19 and the social unrest surrounding demands for racial justice and equality. What the public has seen—reflected in a quick adoption of new workplace policies like social distancing and working from home, as well as frank discussions of racial inequality—suggests that the Business Roundtable's message is gaining some traction.

It's a reflection of a shift in public attitudes toward ESG. Before this year, companies' ESG efforts may have been more about the environmental component, but the events of the past few months have compelled businesses to put more of their focus on the social and governance components.

No longer can boards of directors ignore social concerns and worker safety—not to mention disaster preparedness, continuity planning and employee treatment through benefit programs. All of this should only propel interest in sustainability reporting.

None of this change is easy, of course. But it does provide a silver lining amid the health crisis—giving companies a chance to make lasting change.

None of this change is easy, of course. But it does provide a silver lining amid the health crisis—giving companies a chance to make lasting change. With the shortcomings of so many businesses on display, companies can begin to address their weaknesses with the understanding that good corporate practices are not only the right thing to do, but also the trademark of sustainable and resilient businesses.

Who makes change happen?

The auditing profession—one in which the themes of accountability, standards-based analysis and objectivity are central—is [well-positioned to be a part of this movement](#).

Auditors understand how to measure and verify indicators that drive performance, conduct analysis and deliver reporting solutions to the business community. After all, those measurements matter, and they will drive greater accountability.



Companies will increasingly focus on social equality, climate action and innovation. But measuring each will vary depending upon how the company views its role in making outcomes that benefit society. What will emerge, too, will be those companies that are committed to the cause versus those that seek greater assets from investors.

Around the United States, groups like the American Institute of Certified Public Accountants and [Center for Audit Quality](#) have added sustainability reporting to their 2020 focus areas. But without broadly adopted ESG reporting standards, many business leaders question its viability.

Still work to do

Many issues remain, like which framework best aligns to an organization's goals, how to ensure data integrity, and what level of assurance best supports stakeholder communications. Many businesses have been quick to come up with easy answers, but many are struggling to find enduring solutions. Auditors will have to be part of the solution.

Consider three resources:

- [Sustainability Accounting Standards Board](#): This group promotes a set of principles that are strong in that they assess the concept of materiality, a topic that resonates with financial minds. But these principles are also lengthy and apply best to public, not private, businesses.
- [Principles for Responsible Investment](#): The [PRI's Sustainable Development Goals](#), which have gained broad adoption among asset managers, include 17 important sustainability topics facing the world, but the group requires paid signatory membership to engage with the data from its community.

- [Task Force on Climate-related Financial Disclosures](#):

This group addresses perhaps the most important of all sustainability topics—climate change—but is focused so much on one environmental issue that its broader sustainability application is debatable.

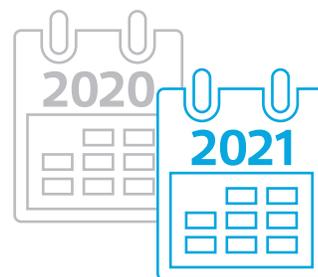
Setting standards is a marathon, not a sprint, and auditors will have the chance to run that race by playing a central role in developing sound practices. Of course, market feedback will be needed to develop a new generation of ratings, analysis and products to achieve sustainability goals. As this occurs, investor behavior will change, and adjustments will be needed.

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But what's unlikely to change is investors' interest in transparency and performance. Auditors will need to understand the sustainability issues facing companies. They also need to remain nimble, understanding that those issues might significantly evolve in relatively short bursts, as they have during 2020. Flexibility is important in the ongoing push to determine which practices drive the greatest long-term value.

The takeaway

As the world continues to deal with the pandemic, we hope to see bolder corporate announcements that are rooted in science and address the foremost sustainability issues. Such commitments set an expectation for other companies to follow. Companies have the chance to transform the world, and we need every company accelerating and amplifying its positive impact—after all, without healthy people, a healthy planet and fair treatment for everyone, there cannot be a healthy economy.



8 STEPS TO STRATEGICALLY DESIGNING A CSR PROGRAM

A strategic corporate social responsibility (CSR) program is crucial to organizations of all sizes, but it can be challenging to implement one, sustain momentum and make meaningful progress. No matter which of these steps your organization follows, it is important to begin with clear goals in mind and have them serve as your compass. Envision what a successful CSR program for your organization will look like. Then chart the course to get there. Here are eight steps that might help:



DETERMINE WHERE YOU SHOULD FOCUS YOUR EFFORTS

A focused CSR program will yield greater benefits for your organization than spreading your efforts across many causes that are not aligned. Some ways to help determine your focus include:

- Assess your vision, mission and values to determine which organizations or causes would be the strongest fit and provide the best support
- Survey your stakeholders (employees, customers, shareholders or others important to your company) to identify what matters most to them and where they think your company should focus
- Review your competitors' focus and determine whether there is a way to differentiate your company from what they are doing



BUILD A STRONG MISSION

Your mission will be your North Star. Use it to assess giving ideas and opportunities. It is important to ensure it is narrow enough that you are not trying to be everything to everyone, but broad enough to allow for unique opportunities that might come your way. Some ideas for formulating your mission include:

- Engage an outside organization that helps companies develop and execute CSR strategies
- Recruit a group of passionate stakeholders and lead them through a visioning exercise to help you determine your mission



IDENTIFY YOUR FUNDING SOURCES

As you build your strategy, it is important to understand where your funding will come from. Some questions to ask include:

- Do you want to set aside a certain percentage of profits each year for CSR?
- Do you want to raise funds from employees to support your CSR efforts?

- Do you want to raise funds from clients, the public or other parties to support your CSR program?
- Do you want to engage in cause marketing, in which you partner with a nonprofit organization that will receive a percentage of funds from the sale of certain products?



IDENTIFY INITIAL SET OF PROGRAMS YOU WILL RUN

Begin with a manageable number of programs to ensure your efforts stay focused and strategic. Some important questions and options include:

- To what degree do you want to fund programs your employees are passionate about?
- How will you allocate funds to causes your clients or customers care about?
- Do you want to have one, big signature program to rally all of your stakeholders around?
- When major events and crises occur, as they have in 2020 with the COVID-19 pandemic, economic recession and social movement for racial equality, how will you support your communities and your employees?



DETERMINE HOW YOU WILL STRUCTURE YOUR GIVING

Companies often assume that they need a foundation in order to give. That might not be the case, and you should consult your tax advisor and legal counsel to determine the best structure for your organization based on your goals. Some options may include:

- Giving directly from your company to specific organizations or causes
- Creating a private foundation or a public charity to support your mission, which will require formulating a 501(c)(3) organization with organizing documents, bylaws, governance



IDENTIFY YOUR CHARITABLE PARTNERS

Once you have determined your strategy and structure, it is important to identify a set of charitable partners that will help you achieve your mission. The partners may be large national or global organizations, small local organizations or a mix of both, depending on the programs you have in place. Regardless, you should have a process to ensure the organizations you are supporting are 501(c)(3) organizations that are aligned with your mission.



SET METRICS AND MEASURE WHAT MATTERS TO YOU

As with any business imperative, it is important to ensure that you have a solid set of metrics to apply to your CSR program.

Some possible metrics include:

- Funds raised and funds granted
- Participation by employees, clients and other stakeholders in CSR programs
- Impact metrics created with charitable partners

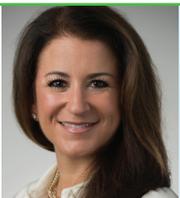
- ESG measures to show the full social impact on your organization
- Diversity standards for inclusion and advancement



COMMUNICATE YOUR SUCCESS

Make sure your stakeholders know about your CSR programs by building a strong communications plan across various channels. Some ideas include:

- Regularly promote your CSR activities and programs in your communications to employees
- Leverage your social media platforms to share stories of how your company is being the best corporate citizen it can be
- Include CSR as a component of your client communications
- Look for opportunities to engage media with your CSR strategy and stories
- Include CSR and ESG measures and success stories in your annual report and other shareholder communications



EMPOWERING WOMEN

Dara Castle: RSM partner, leader of the firm's women leadership programs and the Washington, D.C. market leader; offers five steps for companies seeking to build engagement around the advancement and retention of women.

- 1) Build the business case.** Companies that have more women in leadership generally have stronger financial results and shareholder returns, according to a large body of research, including separate reports by [Credit Suisse](#) and [S&P Global](#) in 2019. Understand your company's metrics, and build and share your business case.
- 2) Check your bias.** Implement unconscious bias training for top leaders to increase awareness of biases that people hold so they can overcome them.
- 3) Enable perspective-taking.** Help leaders understand how to consciously understand, appreciate and encourage diverse perspectives.
- 4) Encourage allyship.** People who have strong allies to support them, provide new opportunities and speak highly of them excel in their careers. Teach leaders how to be allies and hold them accountable for doing so.
- 5) Measure results.** Track both the satisfaction of women in your workplace, and advancement and retention metrics.

EMPLOYMENT IN BLACK AND WHITE: RACIAL AND GENDER DISPARITIES IN AMERICA

BY JOSEPH BRUSUELAS, RSM CHIEF ECONOMIST

The American condition, no matter how one measures it, inevitably comes back to jobs and wages. Wage inequality, whether between men and women, or African Americans and whites, is a real concern.

Civil unrest this year in 350 of the 390 major metropolitan areas of the United States is not only a function of demands for social justice, but also the result of economic frustration driven by longstanding differences in income and wages.

The American economy is rife with inequality; until that difference narrows and is eventually evened, notions of social justice are unrealized. In this realm, it is not words, but actions that count.

Take inflation-adjusted weekly earnings of salaried employees since 1979, the start of an extended period of wage stagnation. The profile for males in the chart below illustrates that in real, inflation-adjusted dollars, earnings have been flat since that time; was it not for a 0.4% average annual increase in wages since 2000, they would be down.

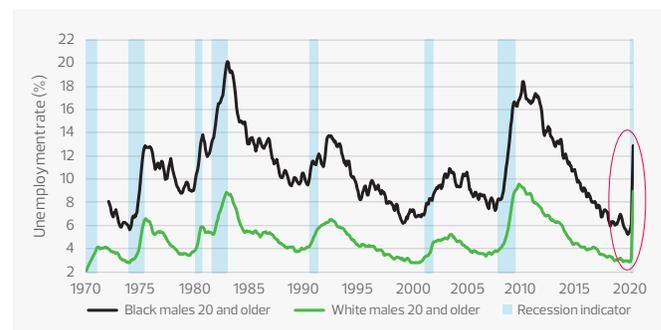
In plain English, working men are stuck in neutral; they have not had a raise in 21 years. Since the demise of trade unions during the 1980s, many of the jobs that men without higher education could do have been lost.

They have been replaced by automation and advanced technologies, shipped to lower-wage countries or sent to states where unions have little power.

Weekly wages of women have been rising at a steady clip of 0.7% per year, and have increased to 80% of male wages from 60%. That speaks to the growing presence of women in the labor force.

The wage inequality of African Americans, even compared to the bleak condition of blue-collar workers, is far starker. Data collected since 2000 on the wages of African American workers show that their real earnings remain at only 73% of male employees overall, and have decreased to 91% from 97% of female employees overall.

U.S. unemployment rates for Black and white men
3-MONTH MOVING AVERAGES

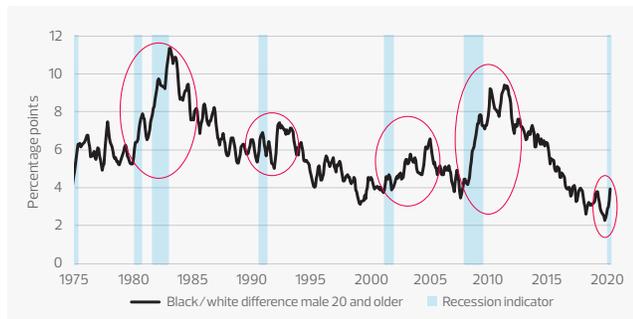


Source: BLS; Bloomberg; RSM US LLP



Difference in U.S. unemployment rates of Black and white men

3-MONTH MOVING AVERAGE UNEMPLOYMENT RATES



Source: BLS; Bloomberg; RSM US LLP

The preservation of a sense of entitlement by the privileged has continued throughout our history, despite the contributions that all ethnic groups have made to the great American mosaic. That sense of entitlement has generated both indirect and direct self-segregation that underscores those wage differentials and has resulted in an inequitable distribution of resources, education and investment that is directly linked to economic inequality across race and gender. Whether it be the passive self-segregation seen in the inequity of suburban and inner-city schools, or the systemic segregation and racism embedded in the domestic system of finance manifested in the red-lining of Black neighborhoods, the result is the same—an economy that is separate and unequal.

Perhaps just as important, those inequalities generate a sense of entitlement and privilege among those who are unwilling to recognize the inequities embedded in the economy and society. Change will be hard won.

Finding a way out

In crisis, there is always opportunity. A pandemic-derived health crisis, combined with depression-like unemployment levels and society's revulsion by the tragic deaths of African Americans at the hands of police, give our country a chance to recommit to the promise of Abraham Lincoln and Franklin Delano Roosevelt.

Perhaps a renewed focus on the expansion of health care and a massive infrastructure project that benefits businesses, workers and the country at large could help mitigate mass unemployment, bankruptcies and an emerging eviction crisis.

Enforcement of federal guidelines for minimum levels of earnings and a sustained move toward a livable wage would eliminate the forced reliance of the working poor on the social safety net. Finally, increasing the supply of education for everyone, regardless of wealth, ethnicity or ZIP code, will lift incomes for the poor and minorities. As the figure below demonstrates, the higher the educational attainment, the higher the earnings. If someone wants to get ahead, we can give them the means to do so.

Following the lead of Georgetown University, we can level the playing field for U.S. workers. It means investing in public education from birth to the high school diploma and then in the form of a guaranteed means to attend a state college. The research universities in each of the states are not only the centers of academic and social advancement in our society, but they are also at the center of the American economic development model. Exposure to that should be available to all, regardless of ZIP code or accumulated wealth.

Average annual growth rates of real earnings of wage and salary workers since 1979 and 2000

Weekly earnings of employees 16 years and older in inflation-adjusted, constant 1982-84 dollar terms				
	Black	Men	Women	College educated
Jan. 1979	N/A	408	251	N/A
Jan. 2000	276	374	285	825
Jan. 2020	300	408	329	1,236
Average annual growth rate since 1979	N/A	0.0%	0.7%	N/A
Average annual growth rate since 2000	0.4%	0.4%	0.7%	2.1%

Source: RSM US LLP

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