

## GREATEST IMPACT ON CORPORATE BOARDS

### BOARD OF DIRECTORS ESTÉE LAUDER



William Lauder,  
Chairman, Estée Lauder

## ‘YOU HAVE TO LEAD FROM IN FRONT.’

Estée Lauder’s board both exemplifies and helps cultivate the company’s commitment to inclusion and diversity.

*Over the past decade, beauty brand Estée Lauder has been steadily closing in on its goal of gender equity at the top of the organization. Women account for 43 percent of its board of directors and 46 percent of top executives. William Lauder, the company’s executive chairman, attributes those figures in large part to a family-focused culture that fuels the company’s success.*

*“Seventy-five percent of our white-collar employees are female, the vast majority under the age of 40,” he says. “We like to have generous family-friendly policies that allow them to be both successful executives as well as full members of their families. Policies that allow that to be possible hopefully attract the best talent.”*

*CBM spoke with Lauder at the height of the Covid-19 crisis about both the company’s response and its board’s ongoing commitment to diversity, inclusion and the development of women leaders. Excerpts from that conversation, edited for clarity and length, follow.*

### What are your thoughts on how CEOs and board members should be managing the current crisis?

First and foremost, our role and responsibility is to make sure that we are looking after the health, welfare and safety of our

employees. That’s most important.

The second priority needs to be survival, surviving so that when we do come out to the other side, we are standing and capable of dealing with the crisis. Lastly, we have to be sensitive in making sure that we not only continue to maintain our connections with our employees but also our connections with our consumers because we are all in this together, and we can’t do it on our own.

This is a challenging time. Society as a whole is looking to corporate America to step up in a meaningful way, both in helping however we can in this crisis as well as to look after our employees. That’s a tremendous burden to put on what is a tremendous part of the economy. But I’m very proud of everything I am reading and hearing about how companies large and small are finding ways to step up in the best way they can to deliver what is expected of them by their employees and their customers, as well as larger society as a whole.

### How are you pursuing those goals?

Well, for example, all of our retail stores are closed throughout all the affected markets. In the handful of cases of third-party retailers with employees of Estée Lauder working in those stores, if they’re open, we pulled our 40,000 employees out of those stores.

We are asking all of our white-collar em-

ployees to maintain their connections and keep doing the work that they do from their homes. So far, that seems to be working. We are increasing the frequency of our town halls in a larger group format so that senior executives can touch a larger population of our people to let us reinforce for them how much we are working for them and caring about them and want to connect with them and respect and appreciate everything that they’re doing for our company.

We are also trying to maintain connections to whatever level of businesses we can in markets that are largely stuck, shut down for regular retail. We are working to continue to build our very substantial online business. And lastly, we’re speculating, for lack of a better word, trying to imagine what the landscape will look like when we do emerge.

### How involved is your board in making decisions like closing locations and pulling employees out of stores that are open?

The most important thing is that the board respects our priority and looking after and taking care of our employees. They defer to us on the smaller details...closing all your stores is not a small detail by any means. But the fact of the matter is that in the context of what the overall priority for the company is and the overall value system for what we stand for, they respect the decision-making we are making.

### What have you learned from the recovery in China that you’re able to apply here?

One, importantly, was maintaining our connection with our consumer, touching them regularly because they’re home and reachable. So, we have found different forms of social selling, creating a group environment for our team members who can give their consumers the attention and service and product knowledge that they’ve always come to expect from us.

We’re seeing a shift—not a surprise given the circumstances—of not yet returning to four-wall, traditional retail but ramping up online. So, the question we have for ourselves and the rest of the world is, when it’s safe to come out again, where will the consumer go? That’s what we’re trying to imagine and be prepared for—the different scenarios of what could be the future.



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**We're talking today in recognition of the track record Estée Lauder has with diversity. How did you drive that?**

I believe strongly that there are essentially three different forms of leadership: lead from in front or, "Let me show you how it's done;" lead alongside or, "Let's do it together;" lead from behind, or "I trust you guys to do it really well." In areas like diversity, you have to actually start by leading from in front.

In other words, find the diverse candidates for the board. Find the diverse candidates for senior management and for middle management. Cultivate your talent by recruiting great diverse talent to enter the company at the junior level so that they are well inculcated in the culture of the company and success of the company. It's, "Let's go do it, let me show you by example."

Then it's, "Okay, how are you doing? Your part makes a difference." And then in those areas where they accomplished something, you say, "Okay, fine, show me how you'll continue to do it." Like virtually any other issue, diversity takes decisive leadership to get it going and support it. We cannot expect that to happen just through inertia.

**How did you find qualified candidates who met your diversity goals?**

The last time we were looking for board members, we needed certain skill sets—tech and social digital marketing—and we wanted to, to the best of our ability, find talent who were women, as well as from a minority group. We sourced names of candidates using the resources of our board, and we got, interestingly, two different lists of candidates. Most were women, not all diverse, but skilled and capable in the areas we were looking for. And there was no overlap, even though the criteria was the same.

I use that as an example in saying, "Hey, if we could do it, others can do it." You have to have the patience to really look for the talent and not just do a surface dive, if you will.

You have to start casting a somewhat wider net and not make the criteria [for a director], has she been a CEO? Because if we start making certain qualifications a prerequisite, that might be societal structural obstacles and then we're back to a self-fulfilling prophecies of "there are not enough."

So you say, "I'm going to take this candi-

date. She has run a large division for a very large multinational company, not necessarily been a CEO, but had broad managerial and supervisory responsibility over a large organization." You have to use some imagination, too, in sourcing candidates because otherwise everyone's fishing in the same waters. The goal is different waters.

**Can you share some of the ways that diverse views offer a business advantage?**

The business advantage comes from diversity of thought, input and opinion. We can both go to a museum and see the same piece of art painted by the same painter with the same brush strokes and the same coloration, and it moves us in different ways. The benefits of diversity are both measurable and have been measured by academics who are more capable than me. But just as importantly, there's the unmeasurable, more subjective measures of what diversity of thought, of opinion means to an organization, especially organizations that are consumer-focused. We have to focus on all consumers, not just one type, so we need to have people at all levels of our organization who are representative of our consumers.

Let me get back to leadership by example. I have eight direct reports who report to me or to myself and [Estée Lauder CEO] Fabrizio Freda. Of those eight, two are men, four are diversity candidates, African American or Latino. If I can find the talent and they can perform their jobs at the very highest level, which they do, you can do it too.

Look, it's very easy to spend 10 minutes looking for something and say, "I can't find it," right? It's like when your kid says, "I can't find my homework," and you tell them to look again and magically somehow they find it. This is no different. You may have to look a little harder, but if you do, you'll find

someone who is capable and talented.

**Estée Lauder offers significant support to working parents—20 weeks of paid parental leave, flexible hours and so on. How do you justify the cost of programs like that?**

Ninety-five percent of our consumers are women. So, circling back to what I said before, to the extent that your population should reflect your target consumers, it behooves us to create the working environment that attracts women to work with us.

I'm proud that our employees appreciate what we're able to do to help them accomplish what they want to accomplish in their lives, both professionally and personally. It ties back to our core value system. We say we are a family company, and we consider family to be not just those who have the name Lauder, but everybody who is a part of the Estée Lauder companies.

**You recently added two board seats and filled them with women CEOs. What was the thinking behind that decision?**

One of those was in anticipation of a board member leaving, so we only really added one seat. But this goes back to the conversation about finding candidates and where you have to be opportunistic. When the right person presents themselves to you, you really can't say, "Oh gee, it's not going to work right now." You may have to move a little quicker if the opportunity strikes you and they're the right match for your company.

**How concerned are you about how things will play out if this current crisis goes on?**

I can't speculate and say if it doesn't happen by this date or that day, things won't be good. The uncertainty... I'm not certain how good that is for the long-term health of the economy. It would appear that leadership seems to see that too, and they're anxious to find ways to say that it's okay to come out again. But nobody has a very clear path.

We will do everything we can to make sure that we can sustain our business so that when this is over—not if, but when—we are prepared to serve our consumers along with our retail partners, those who are left standing, and continue to have that connection that has been so important over our company's history. **CBM**