

# ‘THIS TIME CAN BE DIFFERENT’

Veteran board member Gaurdie Banister, Jr., on fighting fires, rethinking strategy and the unique role directors can play on race and equality in America. “Companies,” he says, “have the opportunity to drive change deeper.”

BY C.J. PRINCE

As the nation once again erupted in protests and demonstrations over racial inequity this summer, the clearest, most useful article for board members we read came, as you’d probably expect, not from a consultant or a journalist but from a director—Gaurdie Banister, Jr., who is lead director for Russell Reynolds Associates and serves on the boards of Tyson Foods and, as of August, Dow.

In his piece, “How Black Lives Matter In Corporations—This Time Can Be Different,” which we published on *Corporate Board Member’s* website and excerpt on page 17, he spoke eloquently and pragmatically about how to actually make progress on the issue.

“I am not here to advocate that companies jump head first into criminal justice reform because it is difficult to engage in public debates on social issues,” he wrote, “I do believe, however, that companies have the opportunity to drive change deeper to get at the root of the problems.

Directors must first get past the naiveté of believing that the systemic racism and injustice encountered by Black Americans does not exist in their companies.”

Banister—who is quick to point out that he speaks only for himself and not for the companies on whose boards he serves—has seen his share of volatility and disruption. As a member of the Tyson Foods board, he’s had to help management respond to the Covid pandemic and plant shutdowns, as the company installed a slew of enhanced health and safety protocols while ensuring a seamless leadership transition as part of a planned CEO succession. Those skills were developed earlier in his career as CEO of Aera Energy, one of California’s largest independent oil companies, where he traversed the boom-bust cycles by matching chaos with fundamentals: adopting a people-centric approach, building a strong balance sheet with sufficient liquidity and a solid cost structure, flexibility and agility. “Plus, now, you better have your digital strategy rolling,” says Banister.

“One thing you’ll find about me,” he

says, “is I’m pretty consistent.”

As this summer like no other drew to a close, we reached out again to Banister for his take on this current moment—about fighting fires, rethinking strategy, why human capital should be part of every conversation—and how boards should help their firms navigate a world that’s changing faster than ever before.

**We’re six months into this prolonged, unprecedented crisis. What should boards be doing at this point to help management get to the other side?**

The issue for the board now is, strategically, how are we positioning ourselves long term for what is likely to be an extended period of time in this kind of uncertainty and this kind of volatility.

I don’t think that people believed this crisis was like a storm or an earthquake where it would come and go, but I also don’t think anyone thought it would last for months and months and months. So now, we must ask ourselves as we settle in—and this is the way it’s gonna be for who knows how long—what are the









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implications on our business long term and how are we preparing for that? And what are the implications on our people long-term and how are we preparing for that? Long-term social distancing, testing, health, safety and welfare issues that are very different than the ones we thought we had in the beginning of this year.

**On a good day, it's tough to forecast the future, but right now the uncertainty is pretty out of control. Are you doing a lot more scenario planning to see around the bend?**

I do think it comes back to scenarios. There are two or three that we could figure out might happen with the world, and I have always believed the best thing to do is have the discipline, resiliency and foundation in your organization to deal with all of them. So, you don't prepare for one and then have to adjust—you make sure you have the foundation to deal with all of them and, as you get into them, then you can make tweaks and modifications.

The geopolitical implications of this are probably the fuzziest, in my mind, around trade, how countries interact, given what's going on. We've already seen trade and supply-chain disruptions because we live in an interconnected world now. Governments can prevent individuals from moving across borders, but it's really hard for products not to move given the economic consequences.

**For boards whose companies' balance sheets weren't great going into the crisis and then took a beating, how can they balance that vs. the need to invest in technology to stay competitive?**

When you're in survival mode, you don't balance anything. You find a way to survive. You do everything you can to safely keep the lights on, and, at that point in time, it's about reducing costs, generating cash and getting through the next period of time trying your best to meet your customers' needs. Customers are absolutely critical, and you need to be trying to at least understand what customer behavior is, so you can meet their needs.

**How do you make sure you're staying**

**current with consumer needs?**

We have to ask the right questions of the CEO and the management team, and we have to be making assessments of, and hearing from, a multiplicity of sources around what's happening with customer behavior in this environment, then trying to get a grip on what's going to be different or what the next phase of customer behavior actually is. I hate to say "new normal." It's about understanding the evolution and shift in consumer behavior and trying to get out in front of that.

**What could that look like?**

You could probably hypothesize that there's some percentage of people who may choose to almost never go back in a grocery store, right? You might hypothesize that there's some people who may never get in a ride-share vehicle again. So, how do you make an assessment on what the permanent change is with respect to consumer behavior so that you can position yourself for that?

Good, responsible directors, on their own, stay in touch with the dynamics in and around the business. They get their own sample of how things are happening in the market, and that allows us to be better prepared to ask the company questions when we're in the conversation with the management team as they review the research they have conducted.

My experience is that good directors are awake, they stay in touch, and they use their lens to interpret what they're seeing—which is why having a diverse board is so important.

**What kind of diversity do you like to see on a board?**

I think there are several dimensions. There's skillset diversity, such as financial, manufacturing or marketing. There's the growth vs. cost. And then, quite frankly, there's ethnic and gender diversity—people who have different experiences, from different places, who see the world through different lenses is really, really important. Women see things differently than men do. Black people see things differently than White people. Hispanic people see things differently. This extends to nationality for a global business. It's important to have that diversity at the board level. It's also important to have that throughout the company. There's plenty of research and data showing that diverse teams produce better outcomes than homogenous teams, so we don't need to rehash the business case around it. I think this approach has worked well at Tyson.

But I will add, that only works in an inclusive culture. What you're hearing more people talk about is that diversity actually is an easier first step. Meaning that everyone is fundamentally different to begin with, relatively speaking. The hard part is inclusion. Inclusion means that you're willing to listen and hear what those perspectives are, and you're willing to actually change and incorporate that into how you operate and what you believe. If you don't do that, then why have the differences? People get frustrated if they are not valued, and they don't give you their whole selves when they show up. That happens at all levels.

**Do you think we're going to see real movement on racial inequality, or will it be more temporary outrage and then back to business as usual?**

I think this one has some staying power. The Black community is committed to keeping this issue prominent, and I think that there are a lot of White allies who also now get it, and who are trying to better understand, and who are acknowledging a problem and now trying to figure out how to deal with it. The whole tone and tenor around it is just very, very different. You could compare the images of people confronting law enforcement in the streets at the George Floyd protests to the civil

# HOW BOARDS CAN STAND UP FOR RACIAL JUSTICE

**BY GAURDIE BANISTER, JR.**

**SINCE THE MURDER** of George Floyd, coupled with those of Ahmaud Arbery and Breonna Taylor, dozens of companies have put out statements saying they stand with the Black community; many have even made donations to causes supporting racial equality—but neither will be enough. Companies need to explain what “stand with the Black community” means in action.

Directors can spur engagement in three distinct but related areas: Behaviors, Structures and Metrics.

## **BEHAVIORS: Leaders need to deepen their sensitivity and knowledge.**

Acknowledging the problem is the easiest aspect of cultural change. To ensure that change efforts maintain momentum requires company leaders, including the board and CEO, to deepen their sensitivity towards and knowledge of structural racism.

Charting new terrain is deep work. This learning journey may prove painful for those involved, yet it is a necessary step. Many of my White friends and colleagues express concern, remorse and all the things you would expect at a time like this. Fewer recognize that they contribute to the problem and perpetuate it with their behaviors. Frank conversations need to be had between Black and White colleagues in order to deepen understanding.

Many on boards believe that they have “done enough” regarding racism and inequality in their company. They feel they have a meritocracy grounded in the “best person for the job” mantra and that the various inclusion and diversity programs they have are working just fine. I submit that if that were all true, then thousands of people would not have taken to the streets protesting the system that produced Mr. Floyd’s demise. White leaders need to commit to listening and not lecturing in order to encourage employees to express their views and share their experiences.

Then and only then will companies have a chance to prove that Black lives really do matter at every level of the organization.

As a practical step, I strongly advocate unconscious bias or other forms of experiential diversity training for leaders. This also is not an easy step, but it is important. If you choose not to do experiential training, you have to find some way to get leaders to both believe and understand how their behaviors are shaping the system. I remember how painful it was for me to be a participant in work like this at Shell in the 1990s. Sharing the painful stories of the racism I encountered inside and outside the company left me exhausted. That said, my friends and colleagues learned a great deal from my experiences and developed a much better appreciation for how their behaviors affected me and my Black colleagues. Learning is the first step in driving behavioral change from the top.

## **STRUCTURES: Create frameworks and controls that reinforce behaviors.**

Building awareness is a crucial first step, but it can’t stop there. After executives learn what behaviors they need to ensure that Black employees are viewed as equals and given the benefit of the doubt, it is necessary to put structures in place so that they become part of the company’s DNA. People must behave their way out of the problem....simply learning about it is not enough.

Directors need to challenge executives to be innovative in embedding this cultural change in the company. This step requires yet more discomfort in dissecting the notion of diversity to focus specifically on opportunities for Black people. Using words like “diverse” or “people of color” ignores the fact that Black people are treated differently than others. Do we believe Ahmaud Arbery would have been tracked and shot if he were Asian? If you have a chief diversity and inclusion

officer and affinity groups, you already have a framework to build on which enables the company to focus on Black inequality. The Code of Conduct is also an existing structure that should be reexamined to ensure it is effective relative to Black employee equality.

Some examples of other structures I'm talking about would be ensuring that college recruiting includes historically Black and/or predominantly Black campuses; requiring there be a certain number of Black candidates considered for every hire, and setting a target for the minimum number of Black people on the executive team or board. While targets are often not popular, they can have meaningful effects—just look at the California

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and UK laws mandating minimum numbers of women on public company boards that came out of the MeToo movement. There has been some pushback to this idea, yet this policy was adopted to structurally change the demographics of the boards.

Another idea would be to find new ways to engage Black employees on what is working and what is not. Some companies have employed “reverse mentoring,” where relatively junior employees help educate senior executives on topics like technology and digitization. Perhaps Black employees should be partnered with to “reverse mentor” executives so they can better understand the Black experience in society and the company?

Another area for improvement is minority business development and involvement. The company should do a deep reexamination of its minority supplier program and spend and ensure the company is focused on creating opportunities for and doing business with Black-owned businesses. Consideration of this effort should be expanded out of small “safe” spending and move to financial management, major operational expenditures and other areas where the company has material spending.

Fundamentally, it is about making a cultural change to ensure the company is driving equality

in the organization. To that end, directors must hold the CEO and executive team accountable by continually asking questions such as: “How are Black employees doing?” “Are we executing our new recruiting and hiring policies?” and “How many executives have deep relationships with Black employees?” and “How are we performing against the metrics that we set?”

Naturally, directors should also look around the boardroom and be sure they are modelling the behavior they want in the organization. To that end, in order to sharpen near-term focus in this area, the board should consider a special committee to lead its effort to drive this difficult cultural change in the company. The findings of the special committee can then be handed off to the Compensation/Leadership or Governance and Nominating Committees for follow-up and implementation.

### **METRICS: Track critical activities and monitor progress.**

I'm sure you've heard the phrase “No metrics, no movement.” In the age of digitization and data, directors must take the hard step of demanding that their companies track the progress of Blacks in their organization with more rigor and vigor. Again, this needs to be specific to Black employees, and not default to more general “diversity” numbers. If you are not comfortable setting goals, then companies should get comfortable demanding improvement trends on the numbers.

I believe it's important to draw this distinction because Blacks, unlike all other underrepresented groups in the workplace, are not seen as equals in society and more often than not are not given the benefit of the doubt. Negative stereotypes can be especially impactful in the workplace where performance and promotion decisions are both objective and subjective. The contribution of Black employees should be considered a must in an abundant workforce that is people-centric and inclusive of everyone.

Just to be clear, I believe that women and other minorities in the workplace still need help getting the benefit of the doubt. I just think that the awareness around this for Black employees needs deeper contemplation than before, in the same way the #MeToo movement put the focus on women. So while it may be uncomfortable to monitor the progress of Black employees separately, strategically I think this is a necessary step for change.

rights movement and the images of those people are very different. The civil rights movement was virtually all Black. That's not been the case post George Floyd. It's been a much, much more diverse group of people. Particularly younger people saying, "Hey, wait a minute. We gotta fix this." And that demographic is what's going to give it staying power.

### **How much time do your boards spend talking about human capital issues?**

If you're a people-centric business, where people are the company and not just assets to be bought and sold, then you have to devote time that's specific to the development of people in the company and the well-being and safety of people in the company. So, you have some designated period of time that you regularly are assessing how that's going.

However, beyond that, when you are having your strategy conversation, you should be asking yourself, what are the implications of this strategy for our people? In a people-centric world, you're not separating and saying, "Well, I'm gonna only spend 5 percent or 10 percent of time on people." You're regularly integrating that into your conversations around the state of the business.

### **CEOs right now are under tremendous pressure, and boards are having to toe the line between having their backs and knowing when they can't hack it. How do you know when it's time to make a change?**

Every situation and circumstance is different, of course, but what everybody should have is an emergency succession plan and a long-term succession plan. If they're seeing problems, and they feel like they need to execute the emergency succession plan, then execute the emergency succession plan. I would encourage my fellow directors to exercise wisdom, patience and understanding, but I heard a phrase the other day, to be "patiently impatient." Be patient, understand what's going on, but be impatient. If you've given performance feedback and you're not getting a response to that, then, just like in any other circumstance, you need to do



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something about it. But you need to do it in the context of understanding what it means for the system when you make that change.

### **Income inequality has been exacerbated by the pandemic and recession. Do companies and boards have a role in closing that gap?**

Yeah, so that's a really big question. First, income inequality is not just a domestic issue; it's a global issue. While there are fewer people in poverty today than there were 30 years ago, income inequality continues to be an issue. As a company, I think it comes back to, are you people-centric, and are the communities where you operate thriving? There is no one size fits all. But having an eye towards what's happening in each community where you operate is really, really important for all companies. Civic unrest starts at the local level.

What companies really ought to be asking themselves is, what is the future of work? And how will we nurture and develop and have the workforce we need in the future so that, as a business and organiza-

tion, we can thrive and be successful?

### **So you're just as focused on environmental issues as you were before this all started?**

Whether companies like it or not, society and institutional investors have decided that climate change is an issue. And in order for you to be successful in business, you better have an eye toward and promote leaders who are aware of the implications for you given climate change, and, by the way, there are generations of people, millennials and Gen Zs and others, who are asking, "What are you doing about climate change?" And you better have an answer because they're making choices about where they spend their money and where they work.

### **Is the increased focus on ESG ultimately good for companies, or is it a distraction?**

It's good. It's funny because I actually don't behave any differently as a director than I did as a CEO. I was a people-centric person as a CEO in the oil industry, and I'm a people-centric person as a director. I consider myself "green minded" and very aware of the implications of what I do on the planet. Companies are moving, responding because they recognize and acknowledge that it is something that's in the best interest of everyone. I'm glad that the Business Roundtable came out with their statement, but some of us were doing that and thinking that way before they made that statement.

At the end of the day, I guess I just keep coming back to, if a company says to themselves, "Look, we are made up of people who are human beings, who live here together, then how are we running this business in way that is appropriate for those people to thrive, to be able to have energy and enthusiasm and be successful?" If that's your foundation, then the rest of the business kind of falls in place. You don't have to have a debate about climate change. You don't have to have a debate about Covid and safety. You don't have to have a debate about the need to eliminate oil spills. You just know because you're rooted in how you want to deal with your people, the planet and your company. **CBM**