The Board's Role in Culture in the New Era: Unleashing Value via Cultural Intelligence

Virtual In - Boardroom Learning

July 15, 2020

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Board Prep:

A few questions to consider prior to our workshop

- Please review
  - Vision & Mission
  - D&I Statement
  - Values

- Please consider the following probative questions:
  - Do our values represent who we want to be going forward?
  - Do our leaders model the values?
  - Are our leaders Culturally Intelligent and able to build/foster the culture we want?
  - Where are we in our CQ / D&I journey?
    - Is our D&I process effective? Are we measuring it correctly?
    - Have we shined a spot light on unconscious bias and educated broadly on it's impact
    - Are we enabling our leaders (and the organization) on their CQ journey?

Agenda: Workshop End-In-Mind

Foundation: 30 minutes

- Overview of CQ and the Board's Role in Culture

- Understanding the Dimensions of Board Cultural Oversight

Strategic Discussion: 50 minutes

- Enabling the leader's and the organization's CQ Journey

- Cultural Proprioception: Dealing with Unconscious bias

- Discuss the board's perspective around unconscious bias

- Top 10 D&I Initiatives, focus, effectiveness and metrics (and available tools)

Take-aways and next steps: 30 minutes

- High level road map of potential next steps: gain some clarity around CalPERS' Board's role in CQ, D&I, and by extension implicit bias given it's unique board structure

- **Conclusions & close: 10 minutes**

Our workshop will focus on:

Education	Strategy	Board Action Plan
Cultural Intelligence:	The Board's Role in D&I	Road map to:
• What is it?	Understanding Development and Measurement tools	• Enable the organization on the CQ journey
• How to develop it?		• Have an appropriate culture oversight strategy/process
• How to measure it?		
• It's impact on culture?		
Unconscious Bias		

Building the

Foundation

Building on
A Solid
Foundation

CalPERS

Vision

- A respected partner, providing a sustainable retirement system and health care program for those who serve California.

Mission

- Deliver retirement and health care benefits to members and their beneficiaries.

Core Values

Quality

Respect

Accountability

Integrity

Openness

Balance

Where Do We Go From Here?

"If you change the way you look at things, the things you look at change" – Wayne Dyer

Shifting The Paradigm

"The board, the CEO, and the senior management need to establish clarity on the foundational elements of values and culture - where consistent behavior is expected across the entire organization regardless of geography or operating unit-and develop concrete incentives, policies, and controls to support the desired culture" – NACD Blue Ribbon Commission on Culture As A Corporate Asset

"Directors and company leaders should take a **forward-looking, proactive approach to culture oversight** in order to achieve a level of discipline that is comparable to leading practices in the management and oversight of risk" – NACD Blue Ribbon Commission on Culture As A Corporate Asset

Boards Can Drive A Paradigm

Boards should:

- Set a Culturally Intelligent tone from the top

- Enable the CEO and her team in their CQ Journey

- Expect competitiveness and sustainability as a result of a CI focus

- Develop an effective culture oversight strategy

- Leverage best-in-class AI tools to gain insights on brand and company reputation
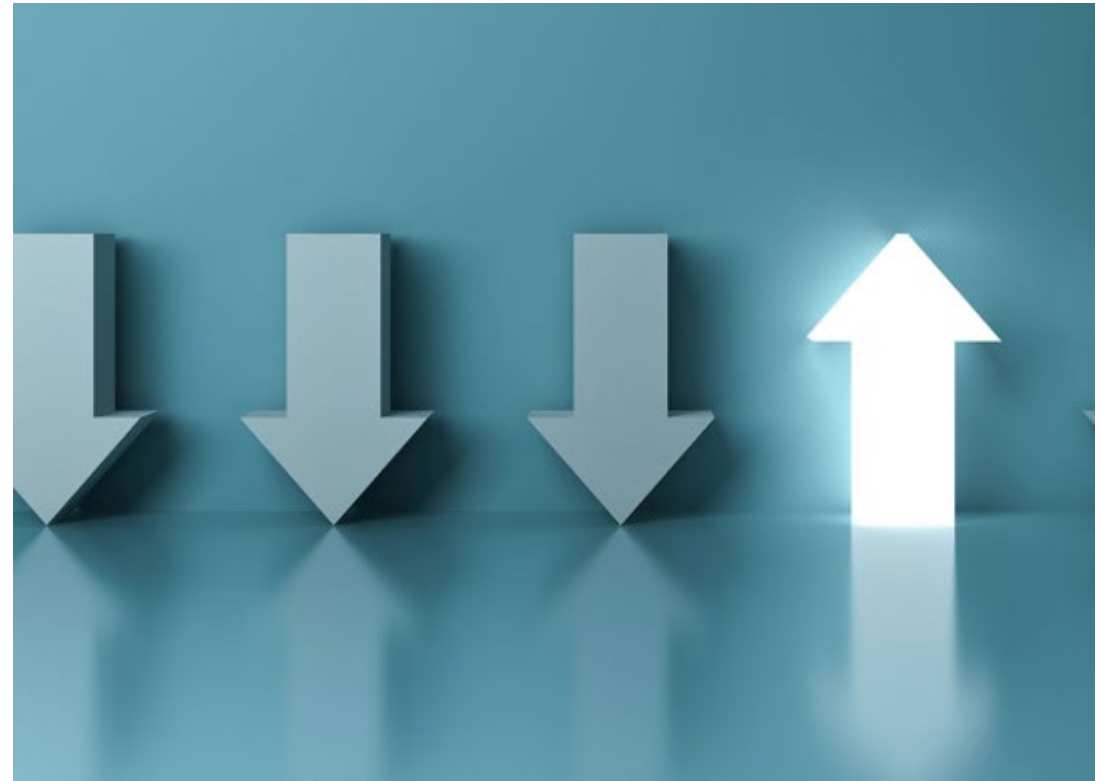
CQ Foundation

Cultural intelligence or cultural quotient (CQ) is a term used in business, education, government and academic research. **Cultural intelligence can be understood as the capability to relate and work effectively across cultures**

Going beyond existing notions of cultural sensitivity and awareness, it is important to identify the recurring capabilities of individuals who can successfully and respectfully accomplish their objectives, whatever the cultural context

Awareness is not enough. A CQ leader is aware and knows how to effectively work and relate with people and projects across different cultural contexts. **High CI organizations are more effective in achieving objectives** and collaborating across boundaries

CQ Defined

It's the leader's ability to relate to culturally diverse situations (not just people) as well as work effectively in them. High CQ leaders are able to better accomplish goals in a respectful way regardless of the cultural context. *

* Soon Ang and Linn Van Dyne "Conceptualization of Cultural Intelligence" in Handbook of CQ: Theory, Measurements, Applications", 2008

CQ DRIVE
Your level of interest, persistence, and confidence during multicultural interactions.

CQ KNOWLEDGE
Your understanding about how cultures are similar and different.

CQ ACTION
Your ability to adapt when relating and working in multicultural contexts.

CQ STRATEGY
Your awareness and ability to plan for multicultural interactions.
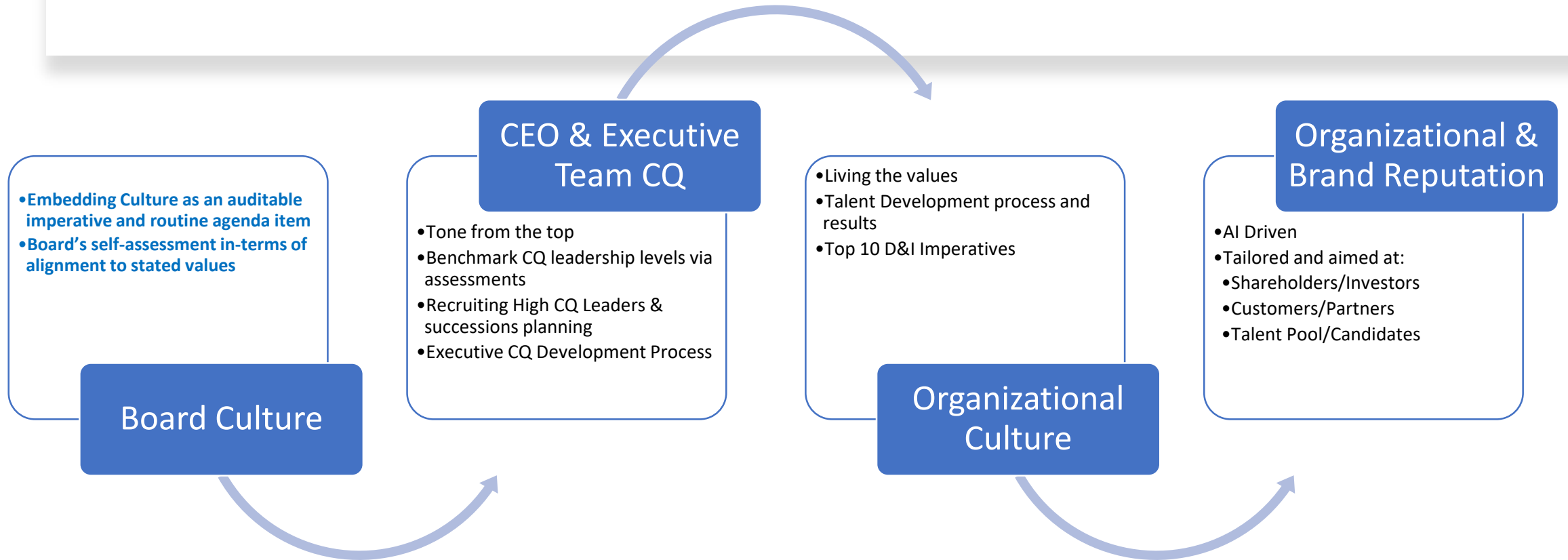
Why is CQ Important?

- We live in a complex, multicultural world
- Shifting landscape of business opportunities
- Markets, customers, and workforces are diverse
- Culture is critical to organizational success – and Culture is driven by high CQ leaders
- Studies show a connection between high CQ leader's level of stamina, energy and productivity

Why is having high CQ Leaders Important?

- High CQ leaders are:
  - Better negotiators and collaborators
  - Good listeners who are able to build trust more effectively
  - More creative, innovative, and empathetic with higher levels of EQ
  - Capable of demonstrating good judgement when working with intercultural issues and people
  - More in-tune with important market trends affecting results
  - Talent magnets
- Teams and Organizations benefit from having high CQ leaders
  - A culture of respect and affection evolve between colleagues and co-workers
  - Teams (and people) develop an ability to communicate despite language and cultural barriers that slow progress
  - The company will become a better talent magnet as it gains a reputation for being a high CQ organization

Culture Oversight: Four Dimensions

Board Culture

- Embedding Culture as an auditable imperative and routine agenda item
- Board's self-assessment in-terms of alignment to stated values

CEO & Executive Team CQ

- Tone from the top
- Benchmark CQ leadership levels via assessments
- Recruiting High CQ Leaders & successions planning
- Executive CQ Development Process

Organizational Culture

- Living the values
- Talent Development process and results
- Top 10 D&I Imperatives

Organizational & Brand Reputation

- AI Driven
- Tailored and aimed at:
  - Shareholders/Investors
  - Customers/Partners
  - Talent Pool/Candidates

- Boards should have a strategy and metrics to assess each

Take-Aways:

- CQ is a foundational skill for leaders and organizations

- Boards should enabling leaders and organizations to become High CQ (more on this next)

- Boards should have a roadmap and strategy for each four dimensions of Cultural Oversight

Boards can support the Organization's CQ Journey

- Culture is:
  - Embedded in a network of organizational practices
  - Shared beliefs, values, and assumptions held by team members
  - Visible in the "way work gets done" daily
  - Evident in the behaviors of individuals and groups
  - *Most importantly: it is amplified by leader's behaviors*
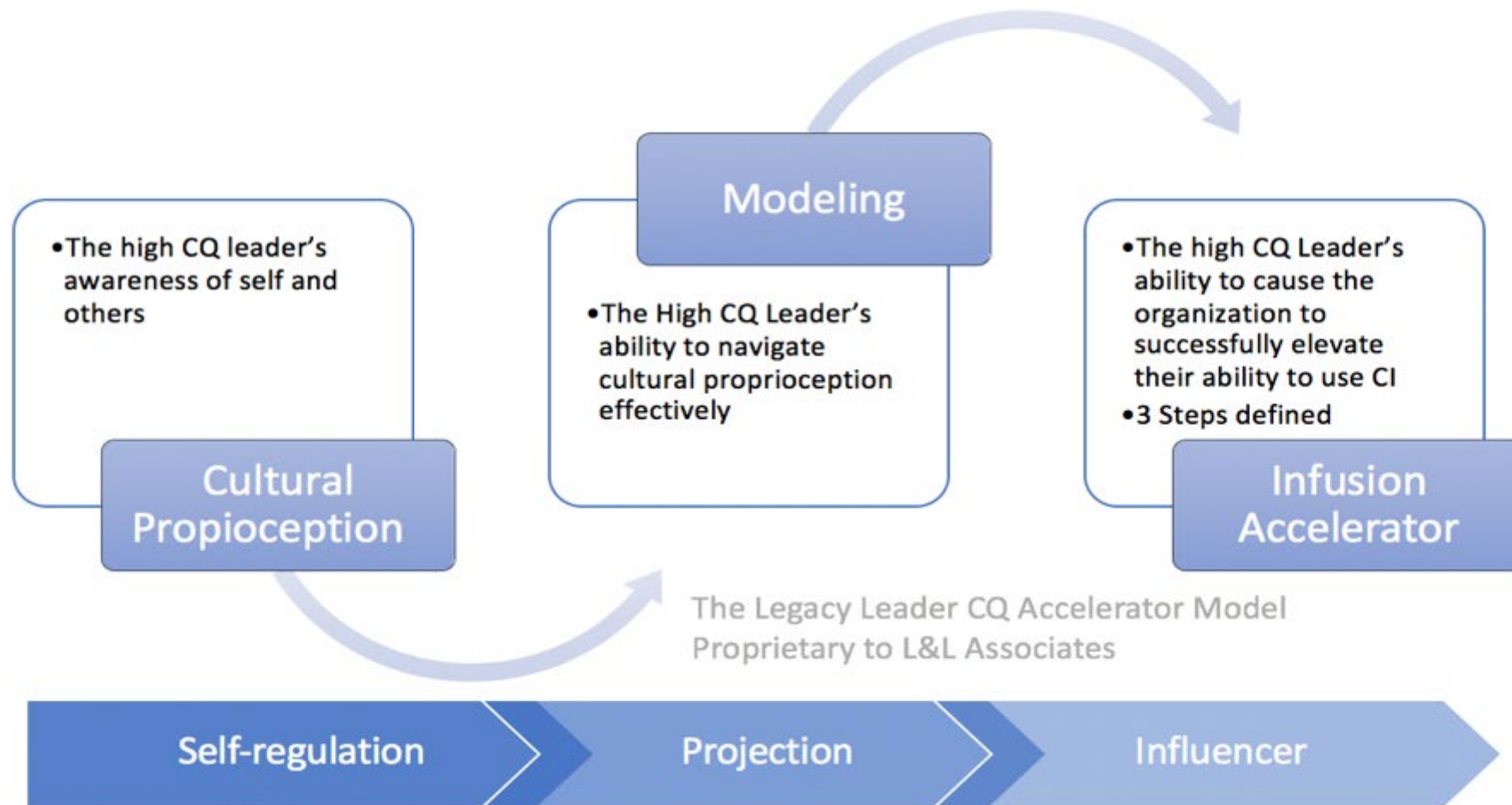
Enabling The Leader's CQ Journey

- Training on CQ top down
- CQ Assessments
- 1-1 Executive coaching
- Report-out to the Board
- Made a part of the Executive team evaluation process

"The leader's awareness of self - and others - in terms of styles, biases, differences, stereotypes, strengths, and other behavioral norms that describe the environment they find themselves in" – A. López

Cultural Propioception

"Self-awareness leads to self-actualization which leads to self-fulfillment and ultimately to happiness. You can't achieve that without being your authentic, unfiltered, unashamed you" – A. López

Self-Awareness: The Key to CQ

Propioception starts with self-awareness

- Self-awareness is having a clear perception of what our personality is like

- Understanding of our strengths, weaknesses, triggers, and biases

- Being in-tune with our emotions, our attitudes, and how we are perceived by others.

Developing Cultural Propioception

Understand your own cultural identity & value systems

Recognize your own biases

Accept that you are susceptible to these biases

Take action to develop CQ Propioception

Proactively replace biases with tolerant thoughts and constructive behaviors

Family

Business & Legal

Education & political

Traditions / social etiquette

Stereotypes

Unconscious Bias

- Unconscious biases are social stereotypes about groups of people that individuals form outside their conscious awareness

- Learned stereotypes that are automatic, unintentional, deeply engrained, and able to influence behavior

- Unchecked, they can cause poor decisions in our personal and professional lives

- Are activated involuntarily and without an individual's awareness or intentional control

- Reside deep in the subconscious
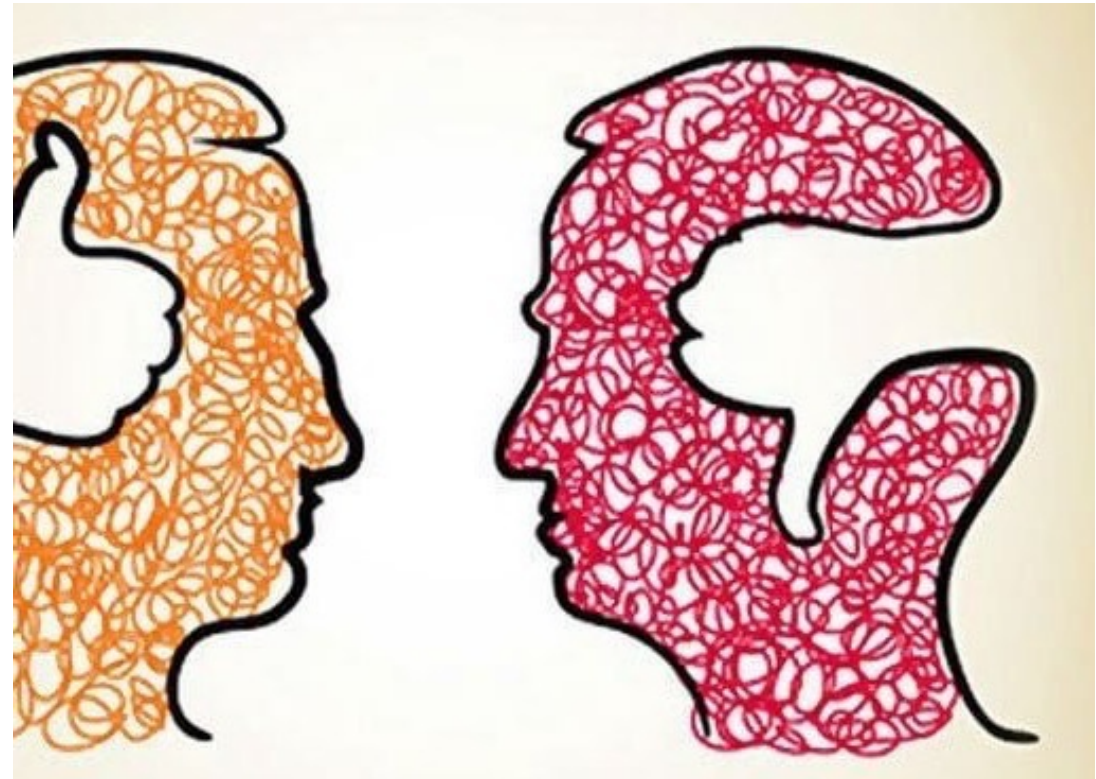
A Few More Characteristics of Implicit Biases

- Implicit biases are pervasive. Everyone possesses them

- Implicit and explicit biases are not mutually exclusive and may even reinforce each other

- We generally tend to hold implicit biases that favor our own ingroup, though research has shown that we can still hold implicit biases against our ingroup

- Implicit biases are malleable. **Implicit associations that we have formed can be gradually unlearned**

Recognize And Deal With Your Biases

- Step 1: Determine "what, where and when" did you first develop that bias
- Step 2: Find your trigger
- Step 3: Slow down
- Step 4: Do one small thing differently

Strategies To Overcome UB

- Get out of your comfort zone

- Explore awkwardness and discomfort

- Engage with people you consider "others"

- Increase Your Contact With the Relevant Group

- Avoid Stereotypes and Over-Generalizations

- Separate Feelings from Facts

- Have diverse people around the Decision-Making Table

- Engage in Self- Reflection to Uncover Personal Biases

Actions Replace Your Biases

- Actualize your thinking with current/updated/factual/correct information

- Suspend judgement and avoid making any assumptions

- Participate in traditions outside of your own

Take-Aways:

- CQ can be developed
- Overcoming unconscious bias is possible and begins with developing cultural proprioception
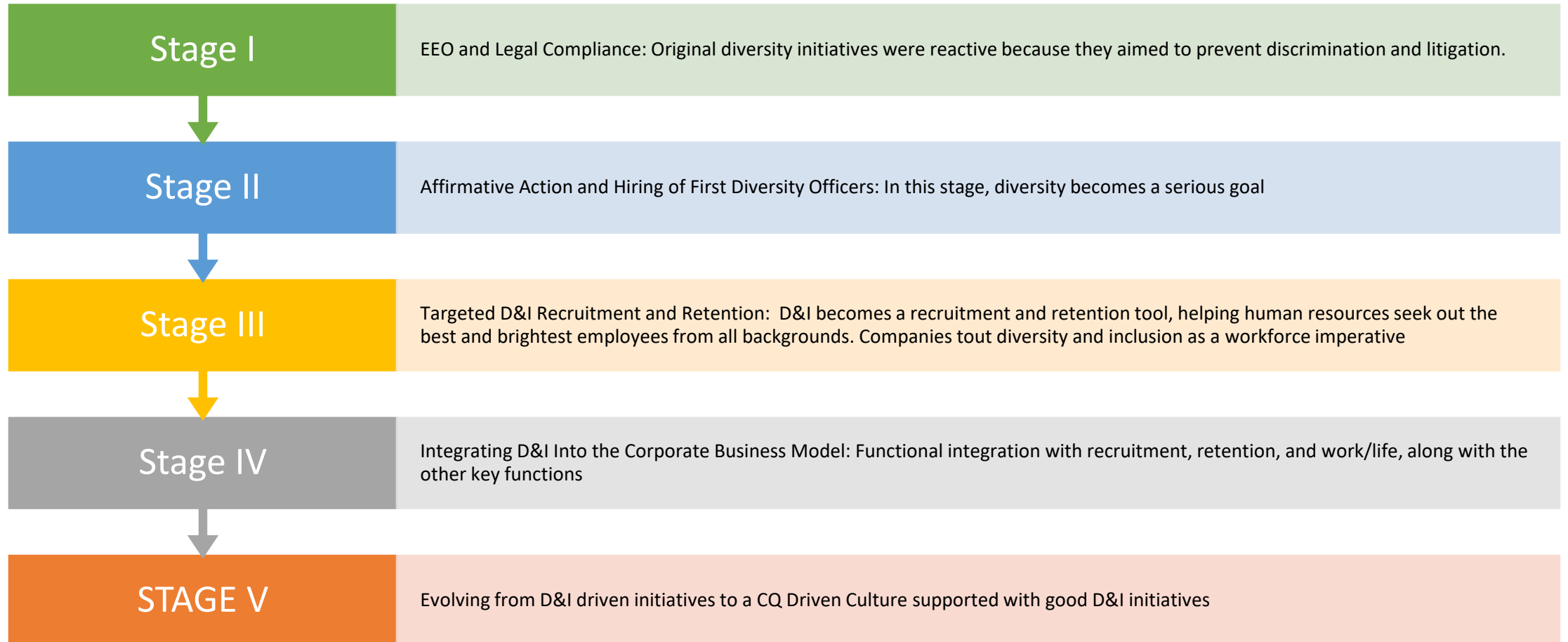
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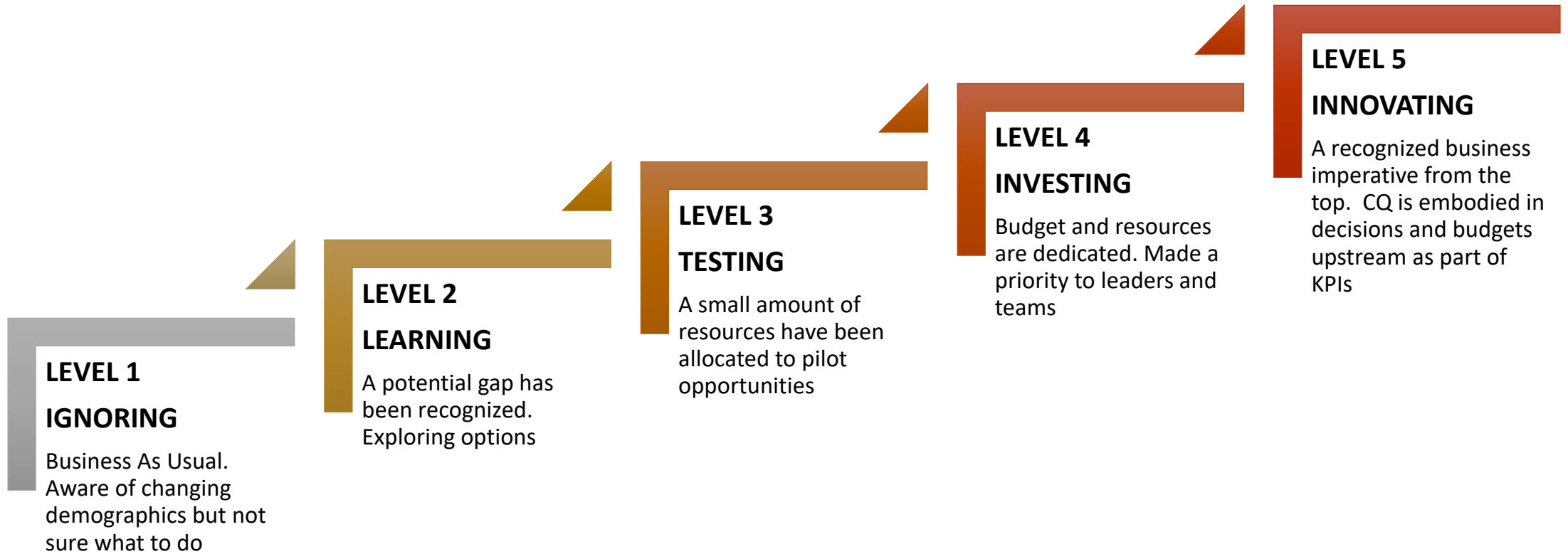
Typical Top 10 D&I Issues

Q: How do we challenge and shift the paradigm?

A: Sometimes, you turn them upside down

The Evolution of D&I

Stage I	EEO and Legal Compliance: Original diversity initiatives were reactive because they aimed to prevent discrimination and litigation.
Stage II	Affirmative Action and Hiring of First Diversity Officers: In this stage, diversity becomes a serious goal
Stage III	Targeted D&I Recruitment and Retention: D&I becomes a recruitment and retention tool, helping human resources seek out the best and brightest employees from all backgrounds. Companies tout diversity and inclusion as a workforce imperative
Stage IV	Integrating D&I Into the Corporate Business Model: Functional integration with recruitment, retention, and work/life, along with the other key functions
STAGE V	Evolving from D&I driven initiatives to a CQ Driven Culture supported with good D&I initiatives

LEVEL 1

IGNORING

Business As Usual. Aware of changing demographics but not sure what to do

LEVEL 2

LEARNING

A potential gap has been recognized. Exploring options

LEVEL 3

TESTING

A small amount of resources have been allocated to pilot opportunities

LEVEL 4

INVESTING

Budget and resources are dedicated. Made a priority to leaders and teams

LEVEL 5

INNOVATING

A recognized business imperative from the top. CQ is embodied in decisions and budgets upstream as part of KPIs

Accelerating the path to Cultural Intelligence and Evolving D&I initiatives to the next level

1. Don't drive diversity & awareness

Drive Inclusion

Inclusion Drivers:
Some Director Questions

- Are we educating leaders to become culturally intelligent?

- Have we committed publicly to leveraging all on the team?

- How are we actively listening to our people?

- How are we encouraging innovative thinking?

2. Don't recruit diverse talent

Attract Them

Are we a talent magnet? Some Director Questions

Are leaders involved in the process of attracting talent?

Are we committed to a talent audit process?

How do we measure organizational pride? How are we building a culture of accountability and commitment?

How are we involving employee's family or support networks?

How are we measuring the effectiveness of our social media strategy?

3. Don't retain diverse talent

Develop & Challenge Them

On People Development: Some Director Questions

- Are we (or how do we) invest in a transformative learning culture?

- Are we living-up to our Corporate Social Responsibility & Environment impact focus?

- Do we have a sustainable processes to support talent development?

- How are we reinforcing and living organizational values?

4. Don't promote diversity

Ensure a level playing field for promotions.

Level the field:
Some Director Questions

- How do we focus on culture and inclusion?

- How are we using our succession planning process?

- Are we following a performance and talent development system?

- Are we holding managers accountable to manage performance?

Respect it

5. Don't just celebrate diversity

Are we respecting diversity?
Some Director Questions

HOW ARE WE MAKING TIME TO LEARN ABOUT CULTURAL DIFFERENCES?

DO WE HAVE A RESPECTFUL CULTURE?

WHERE ARE INNOVATION IDEAS COMING FROM? ARE WE USING OUR PEOPLE'S IDEAS?

ARE LEADER'S COURAGEOUS IN CALLING OUT BEHAVIORS?

6. Don't measure the diversity numbers

Measure the numbers - and results - driven by diversity

Measures/Dashboard: Some Director Questions

- How are we measuring member satisfaction?

- Do we have the right Innovation pipeline?

- How are we measuring employee retention and positive improvement on engagement?

It's a leadership driven imperative

7. Diversity & Inclusion is not an HR driven activity

D&I is not a leader option
Some Director Questions

IS CQ A KPI FOR EVERY LEADER AND MANAGER?

WHO OWNS D&I?

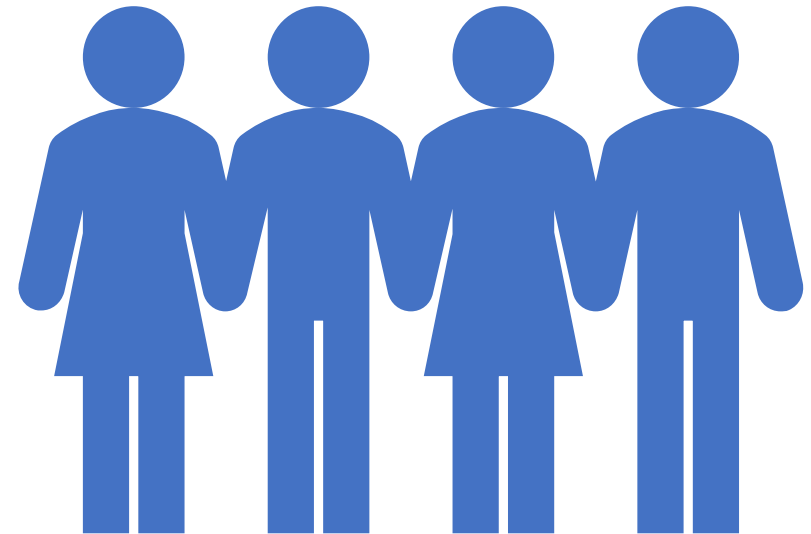**ARE LEADERS CHAMPIONS OF ERGS WITH ACTIVE PARTICIPATION?**

it's about having diversity through all levels of the organization

8. It's not about having a diverse workforce

Diversity up and down the organization

Director Question:

- Do we have diversity at all levels of the organization – especially the executive teams?

Survey them about their engagement

9. Don't survey your workforce about D&I

What tools are we using to survey employees, customers, partners?

Getting under the surface:

Director Questions

10. Diversity is not exclusive of white

It's inclusive of all

White is a color too: Director Questions

- Are ERGs evolving to inclusive Business Resource Groups (BRGs)?

- How are we fostering a culture of true inclusivity?

AI Driven Tools

PUBLISHED & VALIDATED

"We have **never had a method** of hearing what people are saying in a way that is completely unsolicited, completely spontaneous, completely without any interviewer or researcher bias."

HARVARD
UNIVERSITY

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- Incredibly effective, nimble and cost-effective way to gain true, actionable and timely insights on:
  - Company Reputation
  - Brand Reputation
  - Organizational Culture

Take-Aways:

- The Board should:
  - Make culture (and D&I) oversight a priority
  - Challenge the leadership team with the right questions
  - Make sure the metrics are appropriate
  - Support the leadership team as they decide what development and AI tools are appropriate
  - Make a CQ/D&I a part of the board process (incorporate into the agenda)

Conclusions & Next Steps

- The Board plays a critical role in culture and must hold itself accountable to that role
    - Action: Incorporate culture oversight and an audit of the D&I process - and results - into the board's agenda

- Shifting the paradigm from D&I focused activity to CQ Driven Culture will create a more effective organization long term
    - Action: Support the D&I process and include a high-level strategy review, ensuring that you are asking the right questions and measuring the rights things

- The Board can enable leaders and organizations to become highly culturally intelligent with investment, metrics, and accountability
    - Action: Enable the CEO and the executive team on their CQ Journey via training, development, coaching, and recruiting

Thank you And Enjoy The Journey