



# From Commitment to Accountability

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## Why Diversity Matters

Diversity in the workplace is good for business. This concept seems to be broadly accepted and is the foundation for inclusion initiatives documented in studies by global research organizations, as well as anecdotal evidence.

- McKinsey's "Diversity Matters" analysis found a significant relationship between more diverse leadership and financial performance in global corporations.
- Catalyst, a management consultancy, reported that Fortune 500 companies with more women on their Boards tend to be more profitable.
- Credit Suisse notes a correlation, but not a causal link, between Board inclusiveness and stock price.

Nevertheless, greater diversity in the Boardroom and in top management has been slow to evolve. In 2015, fewer than 20% of Board seats in the US's largest public companies were held by women and, although 44% of all employees in Fortune 500 companies are women, they occupied only a quarter of senior executive roles.

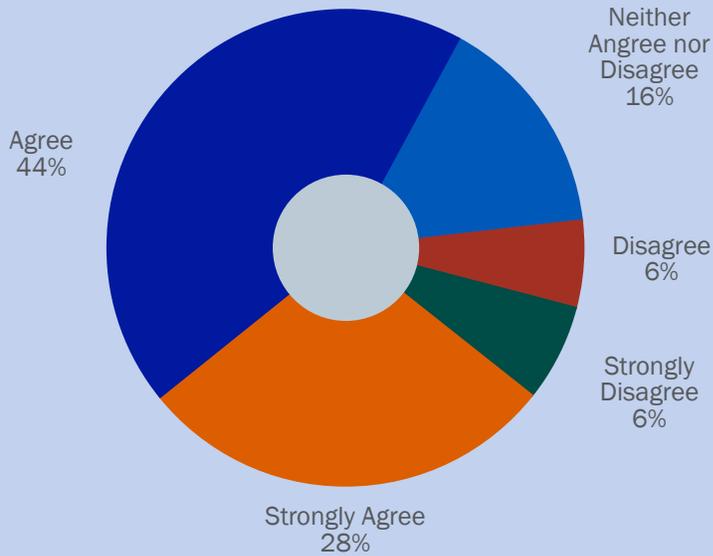
## FPL Advisory Group 2016 Diversity Survey

Our 2016 Diversity Survey asked a broad range of real estate executives about their firm's experience with workplace diversity and inclusion initiatives.<sup>1</sup>

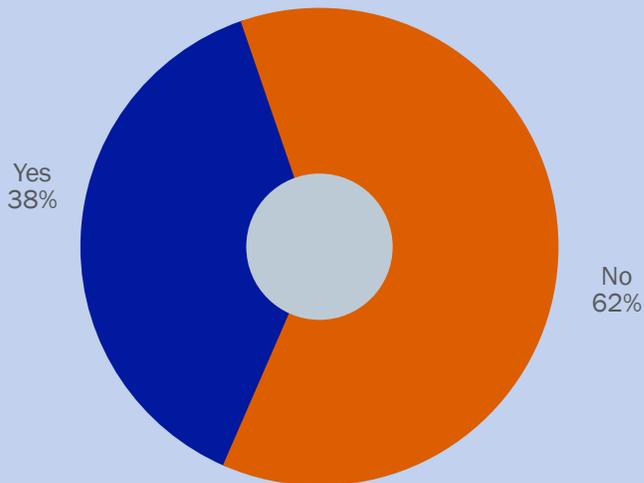
The most telling insight: *commitment to diversity was not always paired with accountability.*

<sup>1</sup>FPL Advisory Group, "2016 Diversity Survey Results," Winter, 2016. FPL Advisory Group, "Taking the Initiative on Diversity," January 2016. These white papers are part of a series of industry reports from FPL Advisory Group's Diversity Practice. The first Diversity Survey was conducted in 2005. In this Snapshot we focus on gender diversity.

Senior leadership (or CEO) has demonstrated commitment to diversity initiatives over the years (i.e., approves diversity funding, communicates importance of diversity, reviews diversity metrics).



Are managers (or diversity committee/team) held accountable (i.e., hiring, promoting, retaining minorities) for diversity efforts in your company?

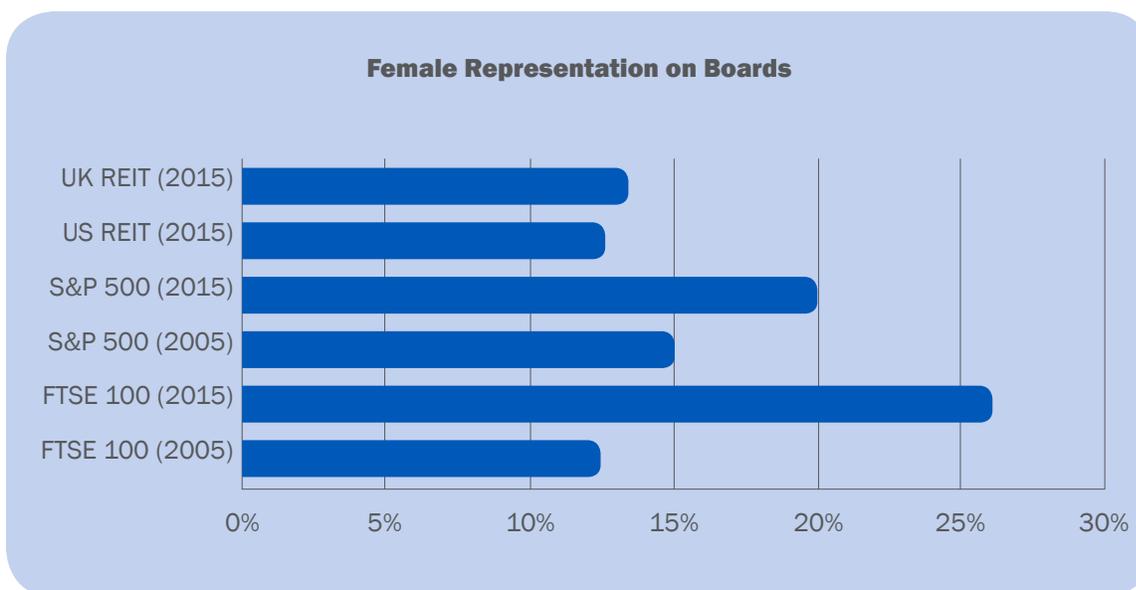


Of the survey participants, 72% believe that senior leaders in their organization have demonstrated a commitment to diversity initiatives. However, only 38% report that responsible executives are actually held accountable for achieving diversity goals. These numbers have changed very little in the decade since our initial survey in 2005.

## Real Estate Industry Scorecard

The real estate and related industries — infrastructure, engineering and construction, healthcare, and hospitality — are generally perceived as male-dominated sectors. Our work with Boards and executives to develop diversity programs and recruit talent only confirms the real estate industry falls behind the broader marketplace in this important area.

By way of illustration, we looked at female Board representation in US REITs and UK REITs compared to a broader corporate profile, represented by the S&P 500 and the FTSE 100.



While there is no significant difference between the US and UK listed real estate companies, both fall short of the achievements in the wider context of corporate governance. The slow progress of recruiting women to top leadership is also evident in the profile of US REIT CEOs — of the 80 publicly traded real estate firms we examined in 2015, only four had women in the CEO role.

## From Commitment to Accountability

We have learned from our direct interaction with Boards and real estate executives that their commitment to inclusion and diversity — gender, ethnic, racial, cultural and experiential — is widespread and authentic.

The challenge, as our survey reveals, lies in translating leadership advocacy and strategic vision into actions that promote accountability and generate results. Globally, initiatives are underway to motivate change through diversity targets, both mandated and voluntary, to expand female Board membership. They are most prominent in Europe where specific targets of 30% to 40% have been adopted.

For the real estate industry to move forward and match the governance standards of corporate America, we identify five areas of focus for Board members and C-suite executives:

- **Intensify executive communication:** Make sure managers and mid-level executives identify with inclusion and diversity goals and reinforce desired behavior through appropriate reminders, internal reward programs and acknowledgment. Moving beyond the human resources department to hold managers accountably is key.
- **Monitor client/investor expectations:** Many constituencies — clients, customers, and investors — have diversity programs and objectives they expect their real estate partners to honor and advance. Understanding and meeting these external requirements for diversity can be used within the organization to enhance accountability.
- **Expand search criteria:** The real estate industry is relatively small and shallow when it comes to prior proven experience and track record in a C-level role. To identify and attract diverse talent, it is imperative Boards and leaders recognize a variety of experience factors and demonstrate a willingness to move candidates into their “first” Board or management position.
- **Search outside real estate:** Governance objectives can’t always be reached within the real estate world itself. More and more often we see Boards specifically mandating recruitment efforts outside the traditional industry boundaries and directly seeking senior level candidates from complementary sectors.
- **Avoid targeting and quotas:** Overly detailed and mandatory recruitment and promotion allocation policies frequently fail, fade away from disuse, or generate tension in the organization. They may even have the effect of actually decreasing diversity. Better for leadership to be focusing on longer-term cultural change and, where warranted, demonstrating the linkage between diversity and improving performance to motivate managers to act inclusively.

As corporate governance standards continue to evolve and workforce composition, educational attainment, and the recognition of value in intangibles such as “collective intelligence” grows, moving from commitment to accountability remains high on the leadership agenda.

## Sources

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2015 FPL Advisory Group Diversity Survey

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