FORTUNE

A GUIDEBOOK OF INSIGHTS FOR **HR EXECUTIVES** ON THE ESSENTIALS OF VALUE-BASED BUSINESS

PATHWAYS TO LEADERSHIP

At *Fortune*, we are dedicated to helping executives at all stages of their careers make business better. This collection of articles is curated for HR leaders to gain some knowledge and inspiration on what it means to lead in a stakeholder and purpose-driven world.

What follows is a collection of recent articles, curated for CHROs who are dedicated, like Fortune, to making business better.

1. PURPOSE, OR 'PURPOSE- WASHING'? A CROSSROADS FOR BUSINESS LEADERS

From left: Mary Dillon of Ulta Beauty, Arvind Krishna of IBM, and Corie Barry of BestBuy were among the CEOs who convened with Fortune and McKinsey to draw up a playbook for purpose-driven leadership.
(COURTESY OF ULTA BEAUTY, IBM AND BEST BUY)

BY BY ALAN MURRAY
AND BRUCE SIMPSON

NOVEMBER 11, 2020

BUSINESS IS CHANGING. A POWERFUL mix of forces—employee activism, enhanced media transparency, government gridlock, and proliferating global problems such as the COVID-19 pandemic, rising inequality, and climate change—have led an ever-growing group of corporate leaders to recognize that a focus on profit is not enough. Purpose beyond profit has become a necessary ingredient for exceptional business success.

But how do you inject purpose into a business? And how do you distinguish true purpose from "purpose-washing"—a public relations veneer rather than a fundamental change in culture and operations?

To try and answer these questions, and to begin to create a playbook for others interested in following a similar purpose path, Fortune and McKinsey & Co. convened 45 of the world's leading CEOs for four virtual working sessions over the past six months. Our goal was to extract lessons that would help others embrace a model of business that leads to better results both for their companies and for society.

Seven clear themes emerged from the conversations, which we have summarized below:

1. In the long run, there is no tradeoff between profit and purpose

To a person, the CEOs we convened were passionate about having a positive societal impact and serving all stakeholders, while recognizing that in the long run this would also be good for shareholders. As IBM CEO Arvind Krishna put it: "Purpose and profit go together, reinforcing each other." PayPal CEO Dan Schulman took it one step further: "I'd actually argue if you don't have a purpose as a company, you will be less successful from a results perspective." Over the past year, PayPal has lowered the cost of benefits, increased salaries, given stock, and increased financial education to reduce economic fragility among its frontline workers. This contributed to drops in attrition and absenteeism.

In the short term, of course, tradeoffs clearly occur. McKinsey research shows 61% of executives and directors said they would cut discretionary spending on positive-net-present-value projects, including investments in employees and other stakeholders, to avoid an earnings "miss." But purposeful leaders, who deliver against a broader set of stakeholder interests, will tend to keep their eye on the longer term and create more value through time. In the long term, shareholder interests and stakeholder interests tend to converge.

"If you stay true to your purpose and it is very clear to every person that is working in this company, then there is a very clear direction, there is a compass, there is a star that is telling you this is where we all go," said Pfizer CEO Albert Bourla. "That unites the organization, creates cohesiveness, and brings results." Levi Strauss CEO Chip Bergh put it this way: "By doing right and doing the right thing, you are going to reward your shareholders over the long term."

2.Purpose begins with your employees

In an economy where human capital drives business value, an employee-first approach has become essential. Research from Aon PLC and the Ponemon Institute shows that four decades ago, hard assets accounted for 80% of a company's value, while today it's intangibles—"soft assets" that include reputation, brand equity, patents, and R&D—that account for 85%. The focus on employees as the source of value was further reinforced by the pandemic.

"Purpose starts with supporting your own teams and front lines. They in turn support our customers, which takes care of business," said Best Buy CEO Corie Barry, commenting on her company's transformation, underpinned by increased employee discounts, training, and broad engagement of frontline staff. Recent McKinsey research found that frontline employees who "feel purpose" at work are up to four times as engaged as those at organizations where purpose is not activated and aligned to that of individual employees, and twice as likely to stay in the job.

XPO Logistics CEO Brad Jacobs told us how the pandemic "actually brought a purpose to our drivers, warehouse workers, people on a cross dock…They suddenly had a big purpose in getting people's toilet paper delivered, getting people's Purell delivered, getting medicines delivered. That was the prime thing that led to our employee satisfaction figures going up 5%."

3. Purpose drives innovation

All the CEOs gave strong testament to the power of purpose in unleashing creativity and innovation. A recent Gallup survey shows that 70% of the workforce in North America and Europe is "not actively engaged," which means that while they may be bringing discipline, rigor, and obedience to work, they're leaving creativity, collaboration, and initiative at home.

"As leaders we always need to find a way to fundamentally attach what we are doing to that greater purpose," said Johnson & Johnson CEO Alex Gorsky. "I think it frees up a sense of energy, of ambition, of desire, and, frankly, a pride and accomplishment in our employees…The impact that can have, and the power that has more broadly on our organization, can't be understated."

Honeywell CEO Darius Adamczyk said he had "never seen such a level of excitement, of pride on the part of employees" as when his company turned to making masks for the pandemic. "I think it's been transformative."

4. A company's purpose must be authentic and embedded in corporate DNA

In an age of social media transparency, employees and others will be quick to call a company out if its words don't match its actions. We now have numerous examples of companies whose credibility has been undermined by their own employees who became "whistleblowers" on social media.

"It's important to talk about the values you want to speak out on internally [and explain] why it is core to your business," said John Donahoe, CEO of Nike. "Nike has a strong history of fighting for racial and social justice. [That's] core to our mission and purpose as a company. When the George Floyd events occurred, we ran the 'Don't Do It' campaign and made a $140 million commitment on racial and social justice."

Stan Bergman, CEO of Henry Schein, put it this way: "Social media is testing us to make sure we are authentic…I think that's great."

'5. Proof points' along the way will help create credibility

In an age of skepticism, it's not enough to merely state your purpose. You need to demonstrate it on a consistent and regular basis. "[You need to] take the purpose and demonstrate it with real proof points," said Lynn Good, CEO of Duke Energy. "When I say employee safety is important, I need to demonstrate it with unequivocal safety protocols. When I say climate is important, I back up my climate plan with investments to show we are making progress."

Other proof points can include tying executive compensation to delivering on purpose. This is the case for Danone CEO Emmanuel Faber, whose company links compensation to metrics on its contributions to health, the planet, its people, and inclusive growth—as well as financial returns to shareholders.

Decisions to stop doing something you were previously doing—like the CVS decision to stop selling cigarettes, or the Dick's Sporting Goods decision to limit gun sales, or IBM's decision to stop selling facial recognition software—also can be powerful in building necessary credibility.

6. A strong commitment to purpose helps you make decisions when times turn tough

Many of the CEOs talked about purpose being especially valuable when times are rocky. "When the shit hits the fan—whether it is COVID or social injustice—we look to our purpose to figure out what to do," said Intel CEO Bob Swan. Ulta Beauty's Mary Dillon said that "you can't take for granted the notion of purpose, of putting that trust in the bank, so that at a time when you really need your employees, they feel good about stepping up and doing more."

7. Millennials and Generation Z are driving change

While purpose helps drive performance across all generations, it is younger workers who seem most motivated by it. "In my career, I've never seen a generation who are more influential now in driving this change," said John Seifert, CEO of Ogilvy. "Millennials are motivated by their 'why,' and they're demanding that we build purpose within our organizations today," said Penny Pennington, managing partner of Edward Jones.

The younger generation is expressing itself not only in the workplace but also as consumers. In one sign of that generation's growing influence, some 70% of consumers overall now claim they buy or boycott products or services based on the social stances of the companies that make or sell them. And it's not just about being supportive of social causes but also proactively working to solve underlying problems.

For all of these reasons, the CEOs who participated in these sessions agree that a genuine commitment to purpose can drive business results. And Danone's Faber said the change is coming whether business wants it or not. Society is demanding more from business, he said. "It is there, and it is there to stay. Either we are working with the movement, or we choose to resist it. It is a clear moment of choice."

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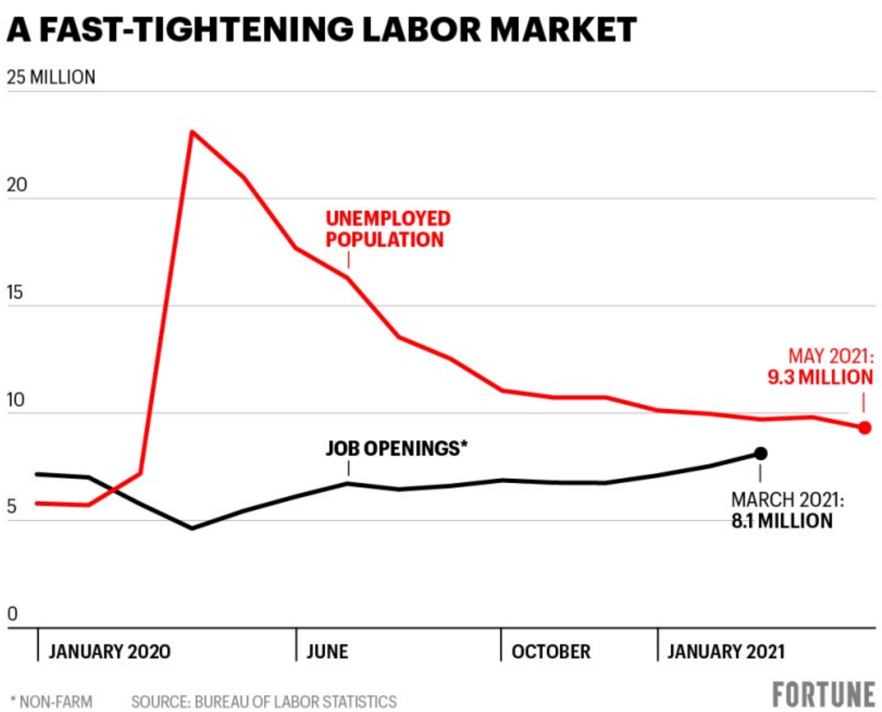
2. 3 STRATEGIES FOR WINNING THE POST-PANDEMIC WAR FOR TALENT



BY **GEOFF COLVIN**

JUNE 7, 2021

HOW MUCH DID GOLDMAN SACHS lose when Omer Ismail left the firm last February?

Short answer: a lot. Ismail ran Goldman's successful Marcus consumer-banking business, which he had helped to create. Now he's working for a direct competitor, Walmart's still-unnamed fintech startup. Marcus has grown impressively since its 2016 launch, to more than 5 million customers, but Walmart will be able to offer its financial products to over 200 million customers it serves every week. Asked about Ismail's move, a Goldman spokesman said, "Our business has serious momentum and a deep and growing bench of talent." Nonetheless, consider the value of what walked out the door with Ismail. He knows every mistake Marcus made as it grew, and, more important, he knows Marcus's strategy.

Employee turnover doesn't always involve such high stakes, but it's always expensive—and employers worldwide are entering the most tumultuous turnover environment in memory. The winners will be those that see the tumult as an opportunity, playing offense, not defense.

Like everything pandemic-related, employment is changing at warp speed. After millions of workers abruptly lost their jobs in March and April 2020, employers are now rehiring many of them at a frantic pace, or trying to. A labor shortage, the least of most companies' worries just three months ago, is suddenly a near-crisis across industries.

One reason is that millions of people are choosing to leave their jobs. In the U.S., the "quits rate"—the percentage of workers quitting their jobs voluntarily—matches the highest it has ever been in the 20 years the government has calculated it, 2.4%. That's the most recent data, for March; a further rise, into record territory, wouldn't be surprising. Cooped up at home with family members, some employees found a new perspective on life and work. Liberated from the office, millions moved from cities to suburbs. Now, asked in a poll by the Robert Half staffing firm what they will do if their employer requires them back on site, 34% of professionals working from home said they'll look for a new job.

Others, especially in customer-facing jobs, are still afraid to go back to work. Even with school out, some parents aren't rejoining the workforce because they aren't ready to send their kids to their usual summer programs, or because they're caring for someone with COVID-19 (recent seven-day average of daily cases: 17,154). With employers desperate for more workers, the result is simple economics—strong demand plus low supply equals high wages, another factor enticing employees to switch jobs.

Adding up the costs of job turnover is an inexact science, with most estimates falling between 0.75 and 1.5 times the departing employee's pay, and much more for high-level positions. Costs include not just recruiting and interviewing, but also lost productivity, training the new employee, the chance of choosing the wrong person and having to start over, plus the departing employee's knowledge being used against the company and in some industries the value of the customers that departing employees may take with them.

How to find opportunity in the tumult? Three ways.

1. Reassess current employees

When the economy is growing smoothly, as it was for the four years before the pandemic, it's tempting to believe that a company's whole team comprises A players. Now, the unprecedented challenges of the past 15 months have brought out differences that were not apparent in the good times, and you can see who the real A players are. As Warren Buffett says, "You don't know who's swimming naked until the tide goes out." If some of the B and C players are thinking of leaving, or even if they're not, you may want to help them toward the door.

That can work out well if you also...

2. Steal stars

Even in this seller's market, you can be sure some employers aren't showing their star performers all the love they deserve. With so many employees looking else-

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where, make sure the best ones are looking at you. Claudio Fernández-Aráoz, a former top headhunter with Egon Zehnder, now a lecturer at the Harvard Business School, says employers should "list three to five great players they would have liked to have hired over the past five years and then check in with those people." If they're still working from home, so much the better; they can speak more freely. But it's all for naught if you don't…

3. Keep your own stars

That may be the largest opportunity in today's Wild West job market; just keeping all your stars is a win. But they won't stay on board if they don't know how much you value them, and many employers fail to differentiate their treatment of stars nearly enough. To see how it's done, consider the Los Angeles Dodgers. The team's highest-paid and lowest-paid players have the same job title, starting pitcher. The Dodgers pay Cy Young Award winner Trevor Bauer $31,333,333 a year; they pay Phil Bickford $407,911 (figures from the Spotrac player contract website). Bickford's salary is 1.3% of Bauer's. That's real differentiation in a business where performance is measured mercilessly; pay differences are similar in other professional sports. Few employers would dare to differentiate pay so radically, but if you're giving average performers a 2% raise and great performers a 4% raise, those stars are easy targets for competitors.

While the differentiation concept is simple to illustrate with pay, don't assume your stars are obsessed with money. Some may be; others may value autonomy or potential advancement more highly. Whatever it is, make sure your stars are getting plenty of it.

Many employers today are struggling to keep merely competent workers as well as stars. They (and all companies) should know that the most powerful factor in retaining employees at every level isn't pay or perks or the WFH policy. It's the quality of a worker's relationships with other employees, including their boss. Fortune's list of the 100 Best Companies to Work For demonstrates this truth annually. Look at Wegmans Food Markets, an East Coast grocery chain that has been on the list for 24 consecutive years. When employees were questioned about the company for the most recent list, the word they used most often was "family." In an industry with an annual turnover rate estimated to be 100%, Wegmans's rate has been around 27% for part-time employees, 6% for full-time.

Relationships are the key to keeping great people, and nothing that valuable comes easy. You can't improve relationships quickly; as the post-pandemic labor market gets tighter in the near term, you can only reap what you've sown. But you can also start the long-term project of building a workplace that attracts and keeps top-tier people. With economists predicting a slow-growing labor supply for years to come, it's an investment that's guaranteed to pay off richly. How often do you find one of those?

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3. THE TIGHT LABOR MARKET HAS COMPANIES RECONSIDERING WHETHER A COLLEGE DEGREE IS A MUST

BY **MARCO QUIROZ-GUTIERREZ**

JUNE 7, 2021

THE NATION'S LABOR SHORTAGE HAS forced companies into a mad rush to attract qualified candidates to a rapidly increasing number of positions. But what if they changed their definition of qualified? According to some large companies as well as employment experts, it's time to reconsider the necessity of a four-year college degree for some jobs.

Glassdoor found that companies such as Google, EY, and Penguin Random House have dropped degree requirements for certain jobs. Among the roles that no longer require degrees are network specialists, financial service managers, and software engineers.

Several Fortune 500 companies such as IBM, Microsoft, and Applehave focused on measuring skills through projects or tests for technology-related jobs.

Increasingly, candidates in the technology sector are also coming from coding boot camps, which serves as an alternative to the four-year computer science degree. These programs are training candidates directly for the roles they will fill, without the general education credits required at many universities.

One such coding boot camp is the Memphis-based nonprofit Code Crew. Founder Meka Egwuekwe, who has a bachelor's and a master's in computer science, started the program in 2015, focusing at first on younger students.

In 2018, Egwuekwe learned that a talented student from the youth class had to move to another state to join a coding boot camp. The student wanted to be a software engineer, but he couldn't afford college, and Memphis didn't offer adults the same opportunity to learn coding as did other cities.

This experience, along with the encouragement of Memphis employers, spurred Egwuekwe to create a six-month coding boot camp for adults that prepares candidates for entry-level software engineering positions.

Graduates of the program make $51,000 a year on average, Egwuekwe says, more than three times the $15,000 average salary of a student coming into the program. And yet, Egwuekwe says, some employers he has talked to still hesitate to hire a person who has the necessary job skills but no college degree.

Egwuekwe said this mindset needs to change.

"I think there's a lot of benefit that coding boot camps like ours and others are bringing to employers if they would just recognize the mathematical reality that they're not going to get their employee needs met," Egwuekwe tells Fortune.

Dropping degree requirements could also improve the diversity of companies, as many of the candidates without college degrees are people of color.

From 2015 to 2019, 35.8% of white people had a college degree compared with 22.6% of Black people, 15% of Native Americans, and 16.4% of Hispanic or Latinx people, according to the U.S. Census Bureau.

At Code Crew, about 80% are Black, 10% are Latinx, and a little less than half are women, Egwuekwe notes.

Frequently companies filter out candidates who are upwardly mobile but may not have attended an elite college or secured a prestigious internship, says University of Virginia Darden School of Business professor Sean Martin.

Hiring managers are starting to realize that, along with college degrees, a lot of the "prior experience" requirements for jobs are unnecessary, Martin notes. Most of the tasks that candidates would have learned from prior experience can just as easily be learned on the job.

"That raises the question for them as to why are they posting and why are they excluding potentially great people based on a predictor of success that either is (a) not very predictive or (b) based in something you could easily learn," Martin tells Fortune.

This filtering hurts companies, candidates, and society, Martin says.

"The companies themselves miss out on people that research suggests—including some of my own research—might be less entitled, more culturally savvy, more desirous of being there," Martin tells Fortune.

Instead, companies should focus on identifying, through résumés and interviews, factors that signal motivation such as seeking training or getting promoted in other roles they have held.

Gauging a candidate's aptitude for a job through a college degree is a relatively recent thing, says Northeastern University executive professor of educational policy Sean Gallagher.

Prior to World War II, a minority of Americans went to college, Gallagher says. Then, especially in the '60s and '70s, access to college expanded with federal policies such as the Higher Education Act, which provided financial assistance to students seeking a college degree. At the same time, companies required more knowledge workers as the economy evolved.

As time passed, companies increasingly latched on to the college degree as a guarantee that a job candidate had basic skills, Gallagher says.

Now, as nearly all industries are affected by a labor shortage, more companies are redefining how they analyze candidates.

"You've had many firms, certainly not all but many have said, 'Look, we're relying on college degrees blindly, and we need to consider people that haven't earned a degree,'" Gallagher tells Fortune.

Still, that doesn't mean the college degree is going away. When people can avoid large amounts of debt, college can be a great investment. According to Bureau of Labor Statistics data from 2019, someone with a bachelor's degree makes $502 more in median usual weekly income than someone with a high school diploma.

"We believe, based on our research, that a big part of why educational qualifications have escalated over the years is because the nature of the job, and the skills required, has evolved," says Gallagher. "It doesn't mean that every company can prove that a certain degree is absolutely needed."

Between 2005–09 and 2015–19 the number of Americans age 25 or older with college degrees increased 16.6%, according to the Census Bureau.

There's no "one size fits all" solution to the imposition of four-year college degree requirements in hiring, says Gallagher, and degrees will continue to persist as a measure of skills and competency.

But that doesn't mean in an increasingly tight labor market that companies should not look to alternative routes such as boot camps, vocational programs, or apprenticeships for candidates, Gallagher notes.

"I think most people understand that not all college degrees are perfect," Gallagher tells Fortune. "And not all time that's spent on a bachelor's degree is necessarily going to be relevant to a job or even what's needed in life."

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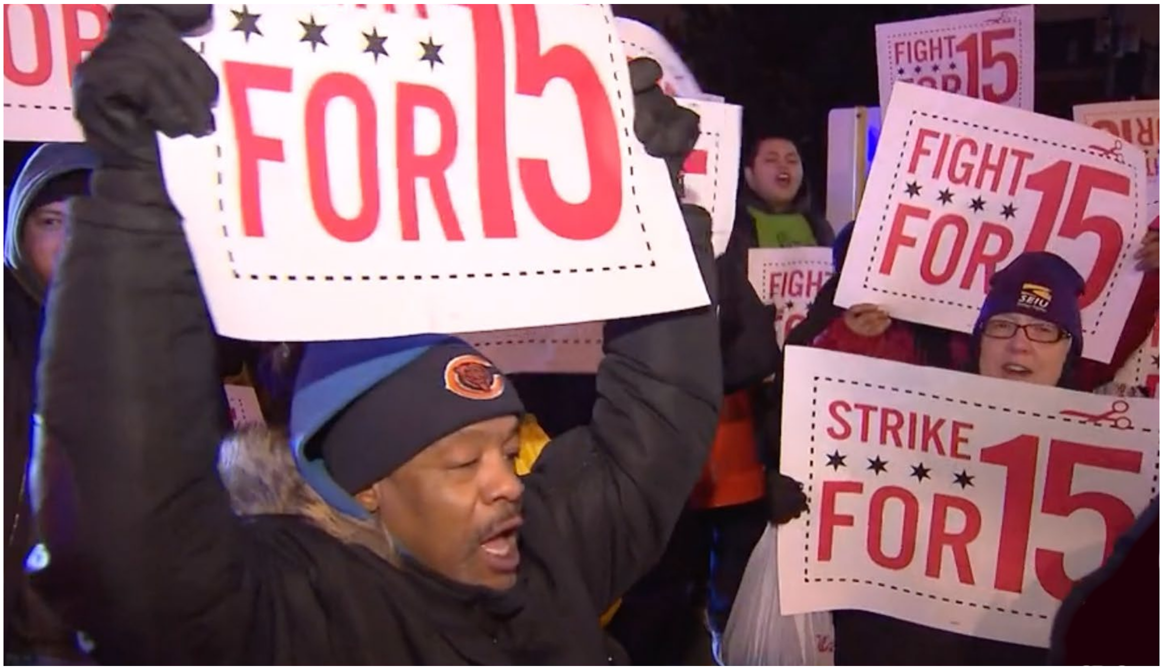
4. AMERICA HAS AN EMPLOYMENT PROBLEM—AND TWO DISTINCT PATHS AHEAD



BY **NICOLE GOODKIND**

JUNE 1, 2021

A **THE IMMEDIATE CRISIS OF COVID-19** is over, and it's time to g=et back to work.

That's the narrative a number of political and business leaders have decided to run with, at least. California, America's largest state economy, will reopen on June 15. New York lifted most major restrictions on May 31.

But there's been one particular thorn in the side of the "business as usual" world that politicos and CEOs want to return to: their constituents and employees.

Laborers in the U.S. are making as much or nearly as much with unemployment benefits as they did working minimum wage jobs. Enhanced unemployment insurance and other forms of COVID-19 emergency funding adds up to 90% or more of the average weekly wage for those earning the federal minimum in nine states. In three states, UI benefits are more than the average weekly wage. Potential employees aren't running to fill the intensive, low-paying jobs without benefits they had pre-pandemic.

But instead of raising the federal minimum wage for the first time since 2009 or adding protections for "essential workers," many politicians are attempting to use negative incentives. A growing number of Republican states are attempting to reject enhanced federal unemployment payments provided by the $1.9 trillion

American Rescue Plan that President Joe Biden signed in March. The extra $300-per-week supplement is what's causing workers to stay home instead of seeking minimum wage work, they say. Taking away their money would essentially smoke them out into the labor market.

At least nine states and the U.S. Chamber of Commerce have called for an end to the bonus ahead of its September expiration date.

"Federal pandemic-related unemployment benefit programs initially provided displaced Iowans with crucial assistance when the pandemic began," Iowa Republican Gov. Kim Reynolds said in a statement. "But now that our businesses and schools have reopened, these payments are discouraging people from returning to work." These benefits, she said, should end by June 12 at the latest.

Studies produced after the first round of stimulus checks found that increasing unemployment benefits won't significantly decrease participation in the labor market. Democrats argue that laborers are instead fed up with working for measly pay.

"Let's be clear, the problem in America is not that unemployed workers are receiving an extra $300 a week in emergency benefits during a horrific pandemic," wrote Vermont Sen. Bernie Sanders on Twitter last week. "The problem is that too many employers in America are exploiting their workers by paying starvation wages with no benefits."

Progressives say their argument is simple: No person working full-time in the United States should struggle to put food on the table or keep a roof over their head. Yet the fight to increase the federal minimum wage from $7.25 to $15 has raged on in the halls of the Capitol and on campaign trails for well over a decade without success. The most recent push, backed by the majority of

Democrats and Biden, has already failed once this year despite Democrats maintaining a congressional majority.

Now, with a crowded legislative schedule, an upcoming summer recess, and the beginning of midterm election season, advocates for a higher minimum wage are ringing the alarm, saying it's now or never.

This month Biden announced that he would officially raise the wage for all federal employees, which would give a bump to 390,000 low-wage federal contractors, with an average annual pay increase of $3,100 for affected year-round workers, according to the Economic Policy Institute. But he stressed his support for a congressional change for all workers in the U.S.

The minimum wage has remained stagnant since July 2009, when it was increased from $6.55 per hour. A full-time federal minimum wage worker today earns 18% less than what their counterpart earned before that increase after adjusting for rising costs of living, according to the EPI. If the minimum wage had tracked productivity increases over the past five decades, it would currently sit at $22 per hour.

The current full-time minimum wage worker earns $15,080 per year, falling below the poverty line for a household of two by over $2,000, and many argue that the official poverty line in the U.S. is far too low. The average annual rent between 2015 and 2019 alone was $12,744, according to the U.S. Census. That would leave full-time employees working at the federal minimum wage with just $2,336 to cover the rest of their annual expenses like utilities, transportation, food, and clothing.

Republicans argue that companies will not be able to stay open if they're forced to pay laborers more.

Still, while the increased minimum wage could pass through Congress along party lines, a 50–50 Senate would require every Democrat to be on board plus a tie-breaker vote from Vice President Kamala Harris to pass, which won't happen—at least at $15. Democratic senators Joe Manchin and Kyrsten Sinema have expressed varying levels of trepidation. If the Senate ended the filibuster, which Democrats have also floated as a possibility, there could be a chance, but that also increasingly seems to be a very steep battle.

The vast majority of states have increased the minimum wage on their own, but Alabama, Louisiana, Mississippi, South Carolina, and Tennessee have no laws, meaning they adhere to the $7.25 federal minimum. Georgia and Wyoming have minimum wages below the federal rate, at $5.15. Almost all minimum wage workers there make $7.25 an hour, but there are certain exemptions for farm and seasonal workers.

A number of corporations, like Chipotle, McDonald's, Target, and Walmart, have recently committed to raising the minimum wage for their employees, but commitments are not legally binding and are often less impactful than they appear. McDonald's, for example, will raise wages only at corporate-owned stores.

According to the fast-food chain's 2019 filings, 36,059 of its 38,695 restaurants were franchised, and McDonald's operated only the remaining 2,636 restaurants.

Ultimately, Republicans and Democrats recognize that the problem is real: Americans don't want to return to low-paying jobs. But the next few months will determine which approach elected officials choose to take to solve it: increase pay to make jobs more appealing or decrease the safety net so that Americans have no choice but to return to work.

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5. UPSKILLING COULD BE THE KEY TO BUILDING A DIVERSE WORKFORCE

WATCH THIS VIDEO ON FORTUNE.COM

BY **MARCO QUIROZ-GUTIERREZ**

MAY 26, 2021

CORPORATE LEADERS FROM MAJOR companies Walmart, Chipotle, and M&T Bank met virtually Tuesday to delve into an increasingly important factor when it comes to managing employees: upskilling.

During Fortune's Brainstorm Talent discussion, the executives spoke with Rachel Carlson, Guild Education's co-founder and CEO, about promoting a diverse work force through upskilling and redefining what education means for a majority of employees.

An increasing number of companies are realizing that having a diverse set of employees and managers isn't just good to have—it also boosts business. Upskilling can help companies promote diverse employees from within, said Chipotle's chief diversity, inclusion, and people officer Marissa Andrada.

"You can be an hourly employee and join at an above average minimum wage—we just raised our wages to an average of [$15 per hour]—and you can have a direct pathway to getting this middle-class life, a six-figure salary in three years," Andrada said.

This broader workforce to manager pipeline is important to Chipotle, Andrada said, because 70% of the company's workforce is diverse and 70% of the company's managers come from its broader workforce.

But, before they can promote and improve workers, companies need to help employees see a path forward, said Walmart's EVP and chief people officer Donna Morris. Managers need to encourage and cultivate workers so they look at their jobs as more than jobs.

"If we can adequately invest, it's not just a job, it's a career," Morris said.

Morris pointed out that, ideally, upskilled employees would continue to work for Walmart but even if they leave for another company, they can always say got their start at Walmart.

For many employees, education is no longer limited to a four-year degree said Guild's Rachel Carlson. Many of our biases about higher education came from a system that was designed for wealthy white men, but change is needed, said Carlson.

"When we unpack those biases, you can finally figure out how might learning need to happen for the 21st century," Carlson said.

Part of diversifying away from four-year degrees for education and training requires offering programs that can be completed during the workday. For M&T Bank, that's a lot of them, said Tracy Woodrow, the chief human resources officer for M&T Bank Corporation.

"Making sure that there is time for learning is, I think, core to our business," Woodrow said. "Smart managers will make that time because their workforce will not only be more engaged, but they'll be better."

Woodrow said 1,000 employees are already taking advantage of an online technology upskilling program the company provides through a partner. With this training, customer-facing employees can find a path to a higher-paying, technology-related job within the bank.

Major employee upskilling, for the 100 million people in the next 10 years that are going to need it, begins with the initiatives Walmart, Chipotle, and M&T Bank are already putting into place, said Carlson.

Employers need to ensure that as they continue to roll out upskilling programs, they focus on a few key points that will make them more successful, Carlson said. This includes making programs affordable or free, and giving employees adequate time on the job to complete the programs, as well as encouraging employees and giving them the support they need.

"Those companies that are not just doing upskilling but also outskilling and being brave enough to have that conversation, they're building trust in their employees so that they say, 'OK this is a company that's going to give me a job, but they're also going to build me a career,'" said Carlson.

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6. THE BATTLE FOR TALENT: WORKERS HAVE AN EDGE OVER EMPLOYERS AS THE PANDEMIC WANES

BY **S. MITRA KALITA**

JUNE 7, 2021

ILLUSTRATION BY SELMAN DESIGN

AMERICANS EXPERIENCED A magnitude of job loss in March and April of 2020 not seen since World War II. Early in the crisis, economists at the Bureau of Labor Statistics earnestly wrote that there was hope that "with government support, employers and employees could quickly return to pre-pandemic employment arrangements."

Now we know better.

People are vaccinated, offices are reopening, mask mandates are lifted. But workers are making it clear that they expect something more than a "return" to the status quo ante-COVID. Instead, many are hunting for better opportunities, and companies face an intensifying war for talent—to retain and appease current employees and woo the best of the seekers.

In the initial days of the pandemic, employers held the upper hand, as workers of the world united in fear and paralysis. The seesaw teetered, though, as the crisis continued. Expanded unemployment benefits and eviction moratoriums made people feel less insecure about losing work; employers' work-from-anywhere flexibility gave a sense of leverage to those who stayed. After millions of women left the workforce, thanks to school schedules and the boss's Zoom invites being so out of whack, employers began offering tutoring, childcare assistance, and mental-health support. We have yet to see how much of it will persist after the pandemic, but it all helped recalibrate employees' expectations.

Jed Kolko, chief economist of Indeed, notes that the labor market never became "un-tight" in the pandemic: The number of unemployed people per job opening rose only modestly, and wage gains remained strong. People furloughed or in uncertain job situations weren't as likely to be searching. Now it feels as if everyone is. More than a quarter of currently employed Americans are looking for a new job, according to a Prudential Financial survey—leaving companies to sprint to make up for their sins of the past year, from furloughs to frozen salaries to Friday afternoon strategy sessions (why?).

"We're on the cusp of a significant change," says Meredith Perez, cofounder of job-hunting platform UCandu. "We're coming from a postindustrialized situation where people were seen as cogs in the wheel. Now experience and intellect are valued, but business policy hasn't really caught up yet."

It's not hard to locate the roots of current dissatisfaction. Laszlo Bock, cofounder and CEO of Humu, a tech company that sends "nudges" to managers to modify their behavior, rattles them off. "People will likely conflate having felt badly over the last year with their workplaces and want a fresh start," says Bock, a former head of Google's people operations. "Promotion was on hold at many organizations, so people may feel they need to go somewhere else to advance. People will have spent over a year apart from their teams and feel less embedded in their organizations, making it easier to leave."

Existentialism is also driving the antsiness. We have just come out of a period of making life-and-death decisions, losing loved ones along the way as a constant reminder of what actually matters. One-third of Americans know someone who died of COVID-19. The pandemic "was a thief in the night that just came and stole our sense of what is familiar," says Robin Smith, a prominent Philadelphia psychologist. "We may not have felt good about how we were overworking. We were underpaid and under-acknowledged." But compared with the disorientation of the pandemic, she adds, "That was familiar."

Over time, embracing the unfamiliar has grown more comfortable for many. Taronay Roohafzaii, 26, says her "kick-start moment" actually came before the pandemic. Then a data analytics consultant at EY, she felt less than enthusiastic about new projects and wanted to pivot to product management. It was during the COVID-19 lockdown, though, that she finally acted. She concentrated on networking and enrolled in courses through Zeit, a career-discovery platform. Roohafzaii recently landed a job as a product manager for a fintech startup called Amount. In late May, she flew from her home in northern Virginia to Chicago to meet colleagues in person for the first time. She might relocate, she might not, but she credits the pandemic experience for getting her to move in the professional sense. "I don't know if I would have made the jump to product otherwise," says Roohafzaii. "The pandemic brought uncertainties, but also opportunities."

"We do all this work to understand our customers. Why don't we apply the same level of understanding to our people?"

MEREDITH PEREZ, *Cofounder, Ucandu*

It's not too late for employers to act; the question is where to start. One of the opportunities that employees prize most is the chance to keep working from home. In the Prudential Financial survey, 42% of current remote workers said that if their company doesn't keep offering remote options, they'll look for a job that does. Professionals surveyed recently for LinkedIn's Workforce Confidence Index rated flexibility as more important than salary, benefits, or company culture. In late April and May, nearly a quarter of all job applications on LinkedIn were for jobs explicitly advertised as being remote—up from 7% at the same time last year. (For Fortune 500 CEOs' take on remote work, see our survey in this issue.)

As many job-hoppers already know, there's no better time to negotiate bumps in salary, perks, or location as when negotiating for a new job. The pandemic broadened benefits programs to include work-from-home stipends, weekly yoga or meditation classes, as well as access to therapists and emergency funds.

But one of the greatest rewards managers can give employees is free: their gratitude. According to workplace consultant O.C. Tanner's research, 79% of employees who quit their jobs say a lack of appreciation was a major reason for leaving. Studies also show workers are more motivated by recognition than money. Autonomy and a sense

26%
SHARE OF CURRENTLY EMPLOYED WORKERS WHO PLAN TO LOOK FOR A NEW JOB AS THE PANDEMIC EASES

8.1 MILLION
U.S. JOB OPENINGS AS OF MARCH 2021.

SOURCES: PRUDENTIAL FINANCIAL; BUREAU OF LABOR STATISTICS of self-direction matter too. After recently consulting with managers in the automotive industry, Bock recounts one leader's Management 101 epiphany: "I should ask people what projects they want to work on."

Another challenge for employers will be to connect individual actions to a company's broader values and mission, says Hana Hassan, founder and CEO of Blackmaple.io, a global talent marketplace. "By default, organizations are always about scale and numbers, not human capital as humans first," Hassan says. A better way to frame a recruiting message, she suggests, is, "Here are these great people who built this great product, who built this great company." Bock advises managers to lean into employees' desire for purpose, coming up with clear answers to questions like, "Why does your team exist? How does their work impact others?"

The social justice movements of the past year are also shaping workers' desires. Workforces are demanding not just more diverse ranks in leadership and hiring, but also more empathy, compassion, and understanding. They are unforgiving of hypocrisy and quick to call it out, in meetings or on social media. With HR and PR crises looming, more companies are trying to emphasize vulnerability in leadership and greater access than before. "We do all this work to understand our customers," says Perez of Ucandu. "Why don't we apply the same level of understanding to our people?"

In the race for talent, every move right now has outsize importance. Bock says that "imprintable moments" that make lasting impressions on a company's culture "happen a few times in a person's career: starting a brand-new job, the first time you become a manager." The return to work after the pandemic, he adds, will be another.

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7. CORPORATE AMERICA, HERE'S THE SECRET TO A BETTER BOTTOM LINE

WATCH THIS VIDEO ON FORTUNE.COM

BY **LANCE LAMBERT**

OCTOBER 2, 2020

FORTUNE TEAMED UP WITH THRIVE Global, SAP SuccessFactors, and Qualtrics to build the Thrive XM Index*, a ranking of companies with the best employee wellbeing.

To create the index, we surveyed a sample of more than 20,000 full-time U.S. employees from over 900 companies. We asked them about everything: work-life balance, career advancement, mental health, company policies.

From this massive survey, Thrive Global researchers used a scoring algorithm to generate the score for companies.

Then they looked at the highest-ranked companies on the index to see if their better employee experiences translated into better financial results.

Here's what they found.

The numbers to know

27.2%

... is the average stock-market return among the top 10% of companies in the Thrive XM Index, year to date.

34%

... is the predicted increase in retention among employees who say they're satisfied with how their company

Rhonda Morris
Vice President and CHRO
Chevron Corporation

Donna Morris
EVP and Chief People Officer
Walmart Inc.

Jody Kohner
SVP Employee Marketing and Engagement
Salesforce

handles workplace conflicts.

37%
... is the predicted increase in retention among employees who say their companies are understanding in regards to mental health.

21%
... is the predicted increase in employee performance among companies that best help staff learn new skills.

11 spots
... are the average jumps up in Fortune 500 rank among the top 10% of companies in the Thrive XM Index, from 2019 to 2020.

The big picture
Surprise: Business success and employee wellbeing go hand in hand. The top-ranked companies on the Thrive XM Index outperformed their peers in terms of profits and stock price growth—through the pandemic, no less. The big takeaway: Don't take your employees' or coworkers' wellbeing for granted. It matters (to the bottom line, too).

A few deeper takeaways

1. It's simple: Happy employees equal happy shareholders.
Since late March, the S&P 500 Index has rebounded from 2,304 to 3,380 points. But that rebound has been wildly uneven across businesses, with some companies doubling in value while others still sit near their March lows.

The top-ranked Thrive XM Index companies—even when factoring in industry—saw their stock gains outperform those of their peers. The top 10% of Thrive XM Index companies saw their return on equity climb 27.2% in the second quarter of 2020.

The same goes for profits: Among the top 10% of Thrive XM Index companies, EBITDA climbed 24.8% in the second quarter.

Maybe stakeholder capitalism is good for shareholders after all?

2. Workplaces that prioritize employees' mental health see lifts in work engagement.
Employers rated highly for being flexible with staff mental health also have less stressed workforces.
And with anxiety and depression soaring during the pandemic, it's more important than ever for employers to take note of mental health.

"We must fundamentally reimagine our work culture to build mental resilience at its core. It means moving from a burnout culture to a culture with wellbeing at the center," Arianna Huffington, who played a role in designing the Thrive XM Index concept, wrote to Thrive and Fortune.

3. Workplaces that help employees learn new skills see improved performance.
The companies ranked higher for helping staff learn new skills have workforces with 21% higher performance—and 31% increase in likelihood of retention.
Want to cut down on your recruiting cost? Maybe pony up more money for night classes for your staff.
For a full methodology go here.

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8. REVISITING THE BUSINESS ROUNDTABLE'S 'STAKEHOLDER CAPITALISM,' ONE YEAR LATER

Signatures of some of the 184 CEOs who signed the Business Roundtable's "Statement on the Purpose of a Corporation."

BY **GEOFF COLVIN**

AUGUST 19, 2020

THE ONE CERTAINTY ABOUT THE Business Roundtable's "Statement on the Purpose of a Corporation" is that it has elevated that topic to a new height in global policy debates. A year after the BRT announced its new view of purpose on Fortune's cover, "stakeholder capitalism"—what it means, and what, if anything, should be done to advance it—is a hot issue, sparking hotly opposed views. As the U.S. election approaches, it will only get hotter.

The BRT's statement was prompted by JPMorgan Chase CEO Jamie Dimon, who was then the BRT's chairman, and was signed by 184 CEOs of major U.S. corporations. It declared "a fundamental commitment to all of our stakeholders." The statement detailed specific commitments to customers, employees, suppliers, communities, and shareholders. The placement of shareholders last seemed symbolic, especially since this new statement superseded the BRT's 1997 statement that "the paramount duty of management and of boards of directors is to the corporation's stockholders."

The new statement struck many as potentially revolutionary. It "could be a turning point," wrote David Ignatius in the Washington Post. "A significant shift and a welcome one," wrote Andrew Ross Sorkin in the New

WATCH THIS VIDEO ON FORTUNE.COM

Business Roundtable leaders (from left): Ginni Rometty, former Chairman and CEO of IBM; Jamie Dimon, CEO of JPMorgan Chase; Alex Gorsky, CEO of Johnson & Johnson; Mary Barra, CEO of General Motors Company.

York Times. Ford Foundation president Darren Walker called it "tremendous news." We at Fortune said the Business Roundtable "announced a new purpose for the corporation and tossed the old one into the dustbin."

Though the BRT didn't use the words "stakeholder capitalism," the concept and its antithesis, shareholder capitalism, entered conversation like never before. Google searches for "stakeholder" spiked. World Economic Forum founder Klaus Schwab proclaimed that business now had to "fully embrace stakeholder capitalism," and the theme of the 2020 Davos conference became "Stakeholders for a Cohesive and Sustainable World." In a major speech on economic policy, presumptive Democratic presidential nominee Joe Biden said in July, "It's way past time we put an end to the era of shareholder capitalism."

That's a powerful head of steam behind stakeholder capitalism, and a year of intense debate has revealed a wide divergence of views.

Think of them in four categories:

1. It's a good idea that should be pursued at the corporate level

That's the BRT's view. Though the group often supports or opposes government action, it did not call for legislation or regulation to enforce its statement. On the contrary, the whole point is that business on its own can make the world a better place. Johnson & Johnson CEO Alex Gorsky, a BRT member who oversaw the drafting of the statement, said, "It affirms the essential role corporations can play in improving our society."

2. It's a good idea that should be legislated

Sen. Elizabeth Warren and other politicians on the left saw the statement as an opportunity. "If Jamie Dimon thinks it's a good idea for giant corporations like JPMorgan Chase to have multiple obligations, he and I agree," she told CNBC last December. "Then let's make that the law." (She was referring to her Accountable Capitalism Act, introduced in 2018.) Warren tells Fortune, "I asked 10 major CEOs who signed the Business Roundtable statement to take tangible action to provide real benefits to workers and other stakeholders, but all they've offered up are hollow commitments and publicity stunts. If these companies are truly committed to a stronger economy for workers, communities, and other stakeholders, they would make the necessary reforms I have laid out in my Accountable Capitalism Act."

Another former presidential candidate, Sen. Bernie Sanders, also endorsed the BRT's change of heart but scorned its statement as "empty words" that "are not enough." He promised he would "ensure that corporations conduct business in a fair way." The BRT hasn't commented on Warren's or Sanders's proposals.

3. It's PR that doesn't mean much of anything

"The statement is largely a rhetorical public relations move rather than the harbinger of meaningful change," say Lucian Bebchuk and Roberto Tallarita of the Harvard Law School in a 65-page article, "The Illusory Promise of Stakeholder Governance." They argue that the incentives CEOs face have not changed, so their behavior won't change. The authors also examine corporate behavior when state laws have permitted companies to protect stakeholders other than shareholders; they say they found no evidence that companies do so any more often than when they are not permitted to do so.

Charles Elson, director of the University of Delaware's John L. Weinberg Center for Corporate Governance, takes a similar view. "To say that shareholder capitalism is dead ignores the fact that the shareholders elect the directors—that's the shareholders' only protection," he says. "And if the directors don't protect them, the shareholders will vote them out." In any case, he says, "The BRT statement was unnecessary. You always have to take care of the stakeholders—otherwise the company won't succeed financially."

4. It's a terrible idea

The head-on argument against the BRT statement is that when CEOs and corporate directors are accountable to many constituencies—customers, employees, suppliers, communities, shareholders—they are accountable to none. "Declaring that directors may consider other interests [than shareholder interests] without giving those interests voting or enforcement rights, or any real leverage to influence decision-making, is more an exercise in feeling good than in doing good," writes Leo Strine, former chief justice of the Supreme Court of Delaware, where most big companies are incorporated. "In fact, it largely shifts power to the directors to couch their own actions in whatever guise they find convenient, without making them more accountable to any interest."

Bebchuk and Tallarita argue more bluntly that CEOs and directors are seeking more power for themselves. "The support of corporate leaders and their advisers for stakeholderism is motivated, at least in part, by a desire to obtain insulation from hedge fund activists and institutional investors," the authors say. "In other words, they seek to advance managerialism"—a system in which managers exercise the most power—"by putting it in stakeholderism clothing."

The BRT explicitly denies that its members want to avoid accountability. "We have not called for, and do not support, radical changes to corporate governance structures, which could have serious unintended consequences," the group says in a statement. "We fully expect that shareholders will hold companies accountable if they fail to generate long-term returns. However, our companies are also challenging themselves to do more."

Bebchuk and Tallarita nonetheless conclude: "Stakeholderism does not benefit stakeholders, shareholders, or society. If stakeholder interests are to be taken seriously, stakeholderism should be rejected."

What's next? It had better be action if stakeholder capitalism is to amount to anything. "The possibility of stakeholder capitalism is very real, but right now we're in the stage of happy talk, and happy talk doesn't make change happen," says Peter Georgescu, author of Capitalists, Arise! End Economic Inequality, Grow the Middle Class, Heal the Nation and the former longtime CEO of the Young & Rubicam ad agency. The greatest near-term prospect for action depends on the outcome of the November election. If the Democrats win the White House and the Senate, while holding control of the House, it seems highly likely that large-scale legislation—raising taxes, giving employees more power, and increasing business regulation—will be enacted under the banner of stakeholder capitalism. Whether the CEOs of the Business Roundtable will like it is by no means certain.

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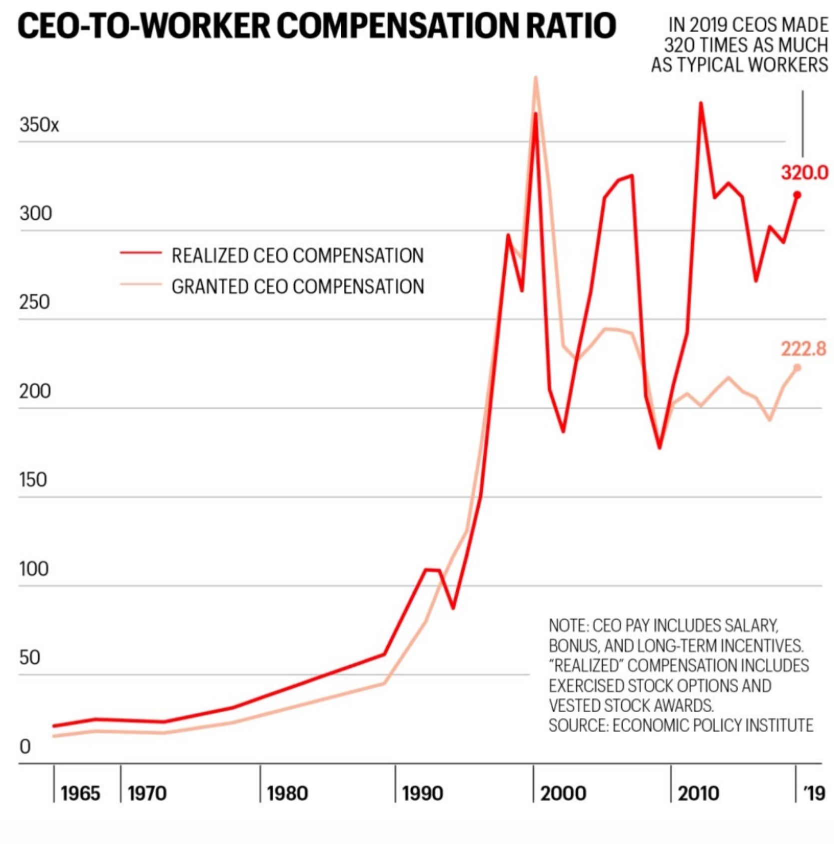
9. WANT PROGRESS ON DIVERSITY? LINK IT TO YOUR CEO'S PAY



BY **PHIL WAHBA**

APRIL 6, 2021

LAST JUNE, AS THE NATION CONVULSED with protests against racial inequality and the police killings of George Floyd, Breonna Taylor, and too many others, Nike was in the same predicament as much of corporate America—pledging to help rectify society's mistreatment and exclusion of Black people, while simultaneously being called out for its own failings on that front.

Even as the sports-gear maker promised to prioritize racial inclusion, some of its own workers took to social media to decry racism at the company, citing microaggressions, lesser advancement opportunities for Black employees, and instances of Black shoppers being profiled at Nike stores. Nike stressed that the company prohibited discrimination based on race, but it encouraged workers to keep speaking out, and CEO John Donahoe admitted in a memo to staff that "our most important priority is to get our own house in order."

Nine months later, Nike made its commitment to equity more tangible—by pegging some of Donahoe's pay to it. In March, Nike announced that part of its executives' long-term bonuses would be contingent on hitting specific diversity goals by 2025. Donahoe's potential penalty for missing those targets: a six- or even seven-figure chunk of his compensation.

Business leaders have long been saying the right things about racial and gender inclusion, with only modest improvements to show for it. (There are still only five Black CEOs and 40 female CEOs in the Fortune 500, to cite but one metric.) But as diversity becomes an ever greater focus of Wall Street, employees, and the public, more corporate boards are aligning executives' pay with their platitudes. The past year's upheaval is "causing companies to think, 'If we're serious about this, we ought to make sure there is a visible link between what we say and do and how we're rewarding our executives,'" says Don Lowman, a global leader at Korn Ferry who advises boards on compensation.

This year alone, Apple, McDonald's, and Chipotle Mexican Grill are among the boldface-name companies to make bonuses partially contingent on measurable progress on gender and racial equity. Alphabet's Google took a step in that direction, saying it will include such metrics in executive performance reviews. Uber, once criticized for its "bro culture," linked bonuses to diversity two years ago; Microsoft, Intel, and utility FirstEnergy have been doing so even longer.

The shift doesn't yet add up to a mad rush: A mere 97 of the companies in the Russell 3000 (or 3.2%) have at least one diversity goal for at least one top executive, according to compensation consulting firm Pearl Meyer, citing data from Main Data Group. Still, diversity and inclusion are joining climate-friendliness as areas where companies are being urged to prove their merit—not least by investors who want companies to meet environmental, social, and governance (ESG) benchmarks. (Fortune is part of this effort, partnering with financial data firm Refinitiv on a program called "Measure Up," to help companies collect and report diversity and inclusion data.) Aalap Shah, a managing director at Pearl Meyer, says that as recently as 2018, when he spoke to executives and boards about diversity as a factor in compensation, he'd get quizzical looks. But since last summer, companies are listening up, lest they be seen as out of step.

Companies are typically pegging 10% to 15% of bonuses to the goals. Bonuses account for about 20% of executive comp, according to leadership data firm Equilar, so the targets put only 2% to 3% of a C-suite dweller's pay at risk. Still, 3% of a CEO compensation package can add up to a pay cut that's symbolically large. In a regulatory filing in February, for example, McDonald's said progress on "human capital" metrics would determine 15% of bonuses—and noted that missing those goals would have cost CEO Chris Kempczinski more than $300,000 in 2020.

Indeed, holding executives accountable on gender and racial equity is particularly crucial given the economic inequity embedded in the CEO-worker pay gap. According to the Economic Policy Institute, the ratio of CEO compensation to rank-and-file pay at public companies was 320 to 1 in 2019, with much of that gap reflecting the sky-high value of bonuses and stock options. Amid such glaring disparities, companies face pressure to show that their executives earn their riches by contributing to a greater good. Diversity targets could help activists apply such pressure. But it's too early to tell what targets will work best—and whether the cost of missing them is high enough.

It's telling that many companies have linked pay to diversity following an outcry from their own employees. Google, for example, has faced internal backlash over its treatment of women and people of color; McDonald's is under withering scrutiny for a purportedly sexist management culture and for its treatment of Black employees and franchisees.

According to proxy-vote adviser Institutional Shareholder Services, 18.9% of 6,400 public companies it studied last year worldwide (and 8.3% of 2,800 companies in the U.S.) had tied compensation to at least one environmental or social incentive. "What gets measured gets done," says ISS director of research Anthony Campagna.

But companies have struggled to decide how to measure progress on inclusion. Sustainability targets involve relatively objective factors like carbon emissions, water use, and waste reduction. But in diversity, hitting numerical goals—say, elevating a certain number of women or people of color to management—doesn't ensure an inclusive culture. "You can go out and hire 10 people tomorrow and satisfy that objective, but not really have made progress in your diversity practices," warns Korn Ferry's Lowman.

Courtney Yu, director of research at Equilar, says the most effective incentives will reward executives for building better pipelines to leadership for underrepresented groups. That could involve recruiting from a wider range of colleges, including historically Black colleges and universities; improving mentorship programs; and providing better family-care support to working mothers.

8.3%
Share of U.S. public companies tying executive compensation to at least one environmental or social goal

The challenge, Yu says, is measuring progress on such criteria in a way that boards are comfortable with. Some experts cite Microsoft's approach as a model. CEO Satya Nadella and other executives earn bonuses both for hitting quantitative marks, such as drawing a certain percentage of suppliers and workers from underrepresented groups, and for more qualitative achievements, such as consensus in internal polling that the company provides a work environment where minorities can prosper.

Whatever metrics companies choose, they'll be more likely to result in enduring changes if they're tied to long-term incentive packages rather than annual bonuses. Nike's decision to link long-term awards to 2025 goals is a testament to that strategy. (Nike's goals include buying $1 billion a year from suppliers in underrepresented demographics; elevating women to 45% of management jobs; and establishing pay equity between men and women.)

History suggests that CEOs who miss targets may not actually face a pay cut. Boards have wide discretion to change compensation based on extenuating circumstances. Among the companies that used that discretion to prop up pay after a COVID-rattled 2020 were theater chain AMC Entertainment, General Electric—and Nike, which gave Donahoe a special cash bonus of $6.75 million last summer after the pandemic made it impossible for him to meet financial targets. (Nike said in a filing that it wanted "to reward strong pre-pandemic performance and to ensure sustained employee engagement.")

It's possible, though, that boards won't attempt such maneuvers around diversity, since they'd risk losing the trust of their workforces, customers, and investors. Compensation experts note that companies' actions on diversity already get plenty of public scrutiny, which in turn could fuel a virtuous cycle of adoption of concrete targets. Says Pearl Meyer's Shah, "This is a true cultural shift.

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10. HOW ONE SILICON VALLEY COMPANY ADDRESSED ITS DIVERSITY PROBLEM—AND GOT RESULTS

BY **ALYSSA NEWCOMB**

APRIL 17, 2021

Events software company Bevy quadrupled its valuation in the past year as it made a push for diverse hires and investors.

GETTY IMAGES

THE CORPORATE reaction to the death of George Floyd and the push for racial equity in the United States was met with swift statements and black squares to show solidarity on social media.

While words can be powerful, actions are ultimately what drives long-term change. Last year, Derek Andersen, the CEO and cofounder of Bevy, a technology company that helps some of the largest corporations in the world build global communities through virtual and in-person events, realized his company could do better when it comes to both the diversity of its new hires and its investors.

"One year ago, we had 27 employees and none of them were Black, and I am super embarrassed about it," Andersen tells Fortune. "When George Floyd was murdered on May 25, my cofounders and I got together and said, 'Okay, we've been sort of talking about doing something. We have to go do something.' But if we are going to speed up change, how are we going to do that?"

He turned to Kobie Fuller, general partner and investor at Upfront Ventures who also runs Valence, a networking community for Black professionals. Fuller, who is Black, was one of Bevy's earliest investors.

"If you lack diversity across all facets in your company, it's the same as if there was something fundamentally broken in your underlying code base. People are doing a really good job if they see something broken on their website or their overall architecture. They prioritize fixing that immediately because it could result in a broken user experience," Fuller says. "That's how I feel about this issue of diversity and lack of representation from certain groups, and Derek approached this at that level of seriousness."

One year later, Bevy has the results to show for its commitment. Last month, Bevy announced a $40 million fundraising round at a $325 million valuation. Of the 40 investors, more than 60% are Black and most are first-time investors in Bevy. As the demand skyrocketed for online events, Bevy was also able to grow to more than 100 employees. Fifteen percent of its employees are Black, and the company is working toward a goal of at least 20%.

Bevy's Series C round of fundraising, which included 40 new investors. Approximately 70% of the round's investors are Black, and 30% are women.

Courtesy of Bevy

What Andersen and his investors discovered over the past year was diversity wasn't just the right thing to do in terms of bringing new ideas, perspectives, and networks to the table. It was also a smart business decision.

"We're all about building community. It's super critical, and we're building a more inclusive community for our employees," Andersen says. "And then we said, 'We should be doing the same thing with our investors.'"

Fuller agreed.

"Diversity doesn't begin with your workforce. It starts at the top of the company, with the ownership and your board," he says.

"This could be a model"

James Lowry, who was the first Black consultant at McKinsey in 1968, has spent his career dedicated to helping create wealth in Black and brown communities. He even wrote a book about it, Change Agent: A Life Dedicated to Creating Wealth for Minorities.

When Fuller called him last year and said Bevy wanted to raise a round from a diverse new group of investors, Lowry says he wanted to be a part of it and was ready to help recruit people.

"I have been doing studies on the Silicon Valley experience and what we can do to accelerate Black participation in the technology industry," Lowry says. "It was always intriguing to me. For us to move this quickly and have 20-some investors who are Black, I said, 'This could be a model.'"

The pandemic pushed Bevy into hyper-growth mode. The company was fortunate to have a pandemic-proof model that allowed it to host virtual and hybrid events. The idea grew out of Startup Grind, a community Andersen founded that now has chapters around the world connecting local startup ecosystems. When he couldn't find software to power the community virtually, he decided to create his own and started Bevy as a separate company.

As Bevy raised its Series C, Andersen also worked on changing the makeup of his company. That started with leadership. He looked at more than 100 résumés and talked to more than 30 candidates before he decided to bring on Arlene Cook, a Black woman, as Bevy's head of people.

"I couldn't find anybody that really aligned with what we were trying to do except Arlene," Andersen says.

Together, Andersen says they approached their diversity goals by being "intentional." He personally reached out to people on LinkedIn and Valence, Fuller's social network, connected with potential candidates, and asked people to share opportunities with their networks to reach an even larger hiring pool.

One year later, Bevy has gone from no Black people to more than a dozen. (Andersen says the company previously had employees of Asian and Latino descent and that Bevy is committed to growing a diverse team of people from all backgrounds.)

The commitment to diversity has been worth it. With intentional hiring and the benefit of the demand for virtual events, Bevy's valuation has quadrupled in the past year.

"Now we're at 15% [Black employees] and rapidly closing in on 20%, and that was very much due to Derek making a board level KPI [key performance indicator] and holding his team accountable," Fuller says. "He did it not just because it's the right thing to do from a social good perspective, but he also wanted to create the best maximum value for the business."

One of the ways Andersen has seen his intentional approach to hiring pay off is through customer relationships.

"When you have people from different experiences from different parts of the country or different parts of the world, you're getting less of the Silicon Valley type of mentality," Andersen says. "Many of our customers are not in the Bay Area, so we want to speak to everyone versus speaking to this sort of one very narrow subset of people."

Lowry, a business veteran who has designed more than 30 major minority business programs for corporate and public clients, and wrote the first major study with his firm in 1978 on minority business development for the U.S. Department of Commerce, sees Bevy's success as a model for the technology industry.

"It's the same formula. Once you come up with a model and it gives you the bottom line results and you can take pride in the results, others will follow," he says. "You have people out there in line waiting to invest in the next Bevy."

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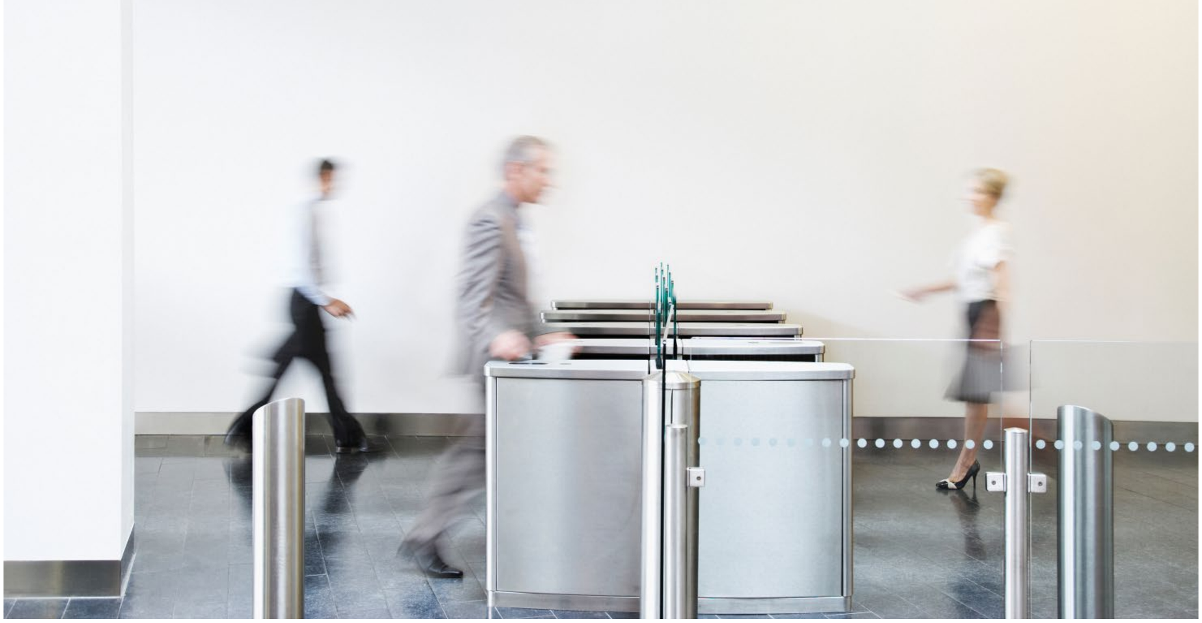
11. WHAT WE'RE GETTING WRONG IN THE RETURN-TO-OFFICE DEBATE



Bosses have had time to process a return to work. Workers haven't.
MARTIN BARRAUD-GETTY IMAGES

BY **S. MITRA KALITA**

MAY 11, 2021

THE ANNOUNCEMENTS STARTED slowly, but then the floodgates broke with reopening plans: Blackstone, Eli Lilly, the City of Chicago, the manufacturer of Dodge, Jeep and Fiat.

What has caught some managers off guard is the emotional reaction to their edicts that it was time for employees to head back, in person. The staff of Washingtonian magazine staged a work stoppage on Friday after CEO Catherine Merrill wrote a column saying managers have "a strong incentive" to demote employees who don't return to their offices.

According to PwC's US Remote Work Survey, three-quarters of executives anticipate at least half their employees will be back in the office by July. But like all things in the COVID economy, this transition can't just be rushed with an expectation of resuming business as usual. That's especially true for caregivers, given that younger children still don't have access to vaccinations, and many parents still don't know what the next school year will look like. Here are some things employers need to remember about the fragile states of their workforces and why announcements about what comes next need careful crafting.

Time to process

In October, Skillshare, an online learning company, decided to go fully remote. The decision was made after much deliberation and employee input, including surveys. In the end, a desire for equity and not favoring in-office staff over those working from home won. So it was decided: everyone would be distributed and could work from anywhere. Chief operating officer Sabrina Kieffer said the company made the decision early because many workers' lives were hanging in limbo, from where they might live to childcare and schooling decisions. "We wanted to give people the clarity to make a decision early and live somewhat of a normal life again," she said.

The reaction surprised her. "We had been watching trends. The majority of the team wanted to be remote," she said. "But people were not cheering up and down."

In hindsight, she said, employees really needed time to accept the decision on their own timeline. "People hadn't had the opportunity to work through all the feelings as I was making this decision," said Kieffer, who herself left New York City for a house on Long Island with her husband and three kids as part of her pandemic transition; she describes the decision as a collaborative one. "We didn't give people enough time to process."

Everybody in the world has just lived through trauma

Before she tells me what she wants to tell me, Philadelphia psychologist Robin Smith warns me she is very careful with words and chooses them deliberately…

"No one," she said, enunciating, "has gotten through this without being impacted in some way by a life-altering pandemic, which is a trauma. We are a traumatized nation."

No one is exempt from trauma.

When you hear that, it's tough to think about a "return" to work. Did any co-workers die? How about the security guard or cafeteria cashier? Did people lose parents or loved ones? Are employees still worried about family or fellow colleagues overseas, where vaccines might not be as plentiful and COVID rates are still surging? All of these questions warrant exploration in relation to any workplace "return."

Once the therapist-in-residence on the Oprah Winfrey Show, Smith recommends leaders be open, vulnerable and use multiple communication tools, including video, to advise employees on what's going to happen next and the support they can expect. She asks CEOs to anticipate how their teams might be feeling and to ask for feedback in judgment-free zones.

"The senior-most leadership must tell the truth about this transitional uncertain moment so it normalizes the uncertainty instead of pathologizes it," she said. "No CEO has ever had to navigate this before. Presume that somewhere, something traumatic happened other than 'I was locked in a house.' Nobody came out of this unscarred."

Working from home or the office need not be a binary choice

Consider these findings from Tallo, an online student platform:

•The majority of Generation Z prefers hybrid work; 74% noted they'd prefer a job that offered both remote and in-person opportunities.

•86% felt confident they will be just as productive working remotely.

•In 2019, 51% of Gen Z considered location a very important factor in their job search. Mid-pandemic, that number dropped to 39%.

It's worth remembering that members of this generation may have started work in the pandemic and have yet to meet co-workers, said Casey Welch, CEO of Tallo. Regardless of whether they are working from home or in an office, younger workers have made clear they want flexibility, access to upper management and adequate time to bond and collaborate with colleagues, he said: "We know that Gen Z looks to employers and managers who offer frequent daily standup meetings, roundtable discussions with executives, and social gatherings or team bonding events with colleagues."

Avoid one-size-fits-all approaches, says Laszlo Bock, co-founder and CEO of Humu, a behavioral-change technology company. "A successful hybrid approach for your sales team is going to look very different from what your marketing department needs," Bock said. "Look for tools and approaches that enable you to offer the kind of personalized support to managers and their teams that enable them to figure out better ways of working together."

Even vaccinated workers are not feeling out of the woods

A big part of communications around returning to the office must dwell on the physical safety of the workplace: social distancing, ventilation, mask-wearing. A Morning Consult survey found nearly 40% of remote workers still feel uncomfortable returning to work.

For UL, the global safety science company, this has led to opportunity as it works with buildings to verify they meet post-pandemic standards, such as in the areas of improved ventilation, air quality and elevator protocol.

"Building owners, operators, employers must seek verification from experts in the safety and science fields that their facilities are safe," said Jason Fischer, UL's president of enterprise & advisory services. "Simply put, during a public health crisis, we must lead with science."

The aversion to going back to the office is more an aversion to going back to what was

It's not the physical workplace but what it represents.

That's the message from workplace experts who say the pandemic forced workers to put up a mirror to their lives and work and assess purpose. A McKinsey survey of 800 U.S. workers found only one-third believe their organizations strongly connect actions to purpose.

Workers want purpose from their companies, as well as support of their whole selves.

Every Friday, employees at 15Five, a performance management platform, can sign off at 1 p.m for "best self time." That means, says Shane Metcalf, chief culture officer, they must "take the time and space they need for self care that all too often falls off the priority list."

To reinforce the company's mission and how workers fit in, he said all-hands meetings are called "boosts" because they are designed to boost collective energy. The first five minutes of the meeting feature "exercises like interactive gratitude, reflections and micro lessons on a variety of topics."

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