Driving the Strategy: A Board’s Role in Diversity and Inclusion
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Having the honor and responsibility of serving on the boards of Penn Community Bank, the Pennsylvania Bankers Association and FHLBank Pittsburgh, I have spent time with my fellow board members, focusing on the issues of diversity and inclusion. Though different, these two issues are inherently linked.

Diversity involves attracting and retaining individuals whose broad spectrum of backgrounds, experiences and perspectives contribute to new and innovative ideas and challenge the status quo. Inclusion creates a welcoming environment that can focus these varied backgrounds and perspectives toward a shared mission.

Impact of Diversity and Inclusion on Performance

The role of any Board of Directors is to provide guidance in establishing organizational strategy and setting expectations for management. This includes assuring that diversity and inclusion efforts are part of organizational strategy. It is a responsibility that will benefit the organization.

Decades of research show that a strategic approach to diversity and inclusion drives performance. Specifically, the results of extensive studies by global management firms like Bain & Company, Boston Consulting Group and McKinsey & Company detail the meaningful impact of effective diversity and inclusion efforts on a broad range of performance metrics.

For example, McKinsey & Company found that organizations with the most ethnically and culturally diverse boards are 43 percent more likely to experience higher profits. Similarly, companies with executive teams in the top quartile of racial and ethnic diversity are 33 percent more likely to have industry-leading profitability, while those in the top quartile of gender diversity are 21 percent more likely to outperform on profitability.

Diversity and inclusion is a strategic imperative. The manner in which it is embedded within a strategic plan has direct implications on performance and financial results.

Facing Industry Challenges

Pennsylvania bankers face barriers to building a diverse business environment within our institutions. Despite the benefits created by fostering a diverse and inclusive work environment at all levels, including at the board and executive levels, the banking industry in Pennsylvania faces substantive challenges as it strives to identify and develop diverse talent. While 2018 Census data indicate that minorities represent nearly 40 percent of the U.S. population, minorities comprise less than 25 percent of Pennsylvania’s total population.

The 2017 data compiled by the Equal Employment Opportunity Commission for the Finance and Insurance Industry across the U.S. show that women hold nearly 34 percent of executive and senior-level positions. That number falls to less than 25 percent in Pennsylvania. Similarly, the data show that
minorities hold roughly 17 percent of executive and senior-level positions across the U.S., while minorities represent only seven percent in Pennsylvania.

The lack of diversity in our region’s population is also evidenced in the makeup of boards and management teams. The 2018 data from SNL Banker indicates that 18 percent of CEOs, COOs and CFOs at Pennsylvania banks are women, while 20 percent are diverse. The numbers are even more challenging at the board level, with women comprising only 15 percent of Pennsylvania bank boards.

Our work is cut out for us. The benefits of diverse and inclusive cultures are clear, but our region presents challenges in building such cultures within our organizations. To make progress, we must think creatively and leverage new networks.

Building a Talent Pipeline

At FHLBank Pittsburgh, we are committed to working with our members to attract more diversity into their organizations. Because FHLBank Pittsburgh is a cooperative owned by its member institutions, the makeup of our Board is largely determined by the makeup of our members’ boards and executive teams. As a result, the diversity of those leading our Pennsylvania banks creates the pipeline of diverse talent available to serve on FHLBank Pittsburgh’s Board.

One of the most effective ways to build a diverse talent pipeline is to foster relationships with local and regional organizations that promote diversity at the executive level. FHLBank Pittsburgh maintains relationships with more than 50 such organizations. One example is our ongoing relationship with the Forum of Executive Women of Philadelphia, which has resulted in the addition of four women as independent directors of FHLBank Pittsburgh.

We would welcome the opportunity to introduce our members to the various organizations that have helped us identify diverse talent across our region.

A Focus on Inclusion

While a diverse business culture is essential, it alone is not sufficient. The board also has a responsibility to set expectations regarding inclusivity.

It is through a welcoming and inclusive environment that all talent can realize their full potential and maximize their contributions. Inclusiveness can be facilitated through a variety of initiatives, including training, workshops, mentoring, employee resource groups and ongoing partnerships with external organizations and community groups. Every organization needs to develop a customized strategy that will effectively address its unique needs. The board, in turn, should champion efforts to embed inclusion within the organization’s overall strategy.

Preparing for the Future

At FHLBank Pittsburgh, we have implemented numerous initiatives to support our comprehensive diversity and inclusion strategy, but we recognize that our journey is just beginning. We continue to seek
ways to identify diverse talent for our Board while strengthening the organizational framework which supports that talent in driving strategy. As of Jan. 1, 2020, our Board is 44 percent diverse.

Our industry is competing with other financial services providers, technology firms and a multitude of other businesses to attract talent. Everything we do to support the development of diverse leaders within our organizations positions us for future success.

We have a responsibility within our industry to promote and publicize opportunities to serve on our boards. A lack of awareness and the visibility of some networks often lead women and minority candidates to serve on nonprofit boards when their expertise, skill sets and perspectives could provide tremendous value to our institutions.

The challenges we face are complex, yet the path to overcoming those challenges is clear. It begins with the strategy we set.