



May 1, 2019

Testimony of:

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“Good for the Bottom Line: A Review of the Business Case for Diversity and Inclusion”

**Subcommittee on Diversity and Inclusion
Committee of Financial Services
United States House of Representatives**

I want to thank the House Financial Services Subcommittee on Diversity and Inclusion, chaired by Congresswoman Joyce Beatty, for the invitation to provide remarks at this important hearing.

My name is Rory Verrett and I'm the founder and managing partner of Protégé Search, the leading retained search and leadership advisory firm focused on diverse talent. At Protégé Search, we lead searches for senior leaders at corporations, startups, trade associations, and nonprofit organizations. We also build diverse talent pipelines for middle management positions, offer executive coaching as a retention tool for high potential diverse leaders, and lead strategy consulting projects in diversity and inclusion for organizations. Our clients include companies in the financial services, tech, sports, entertainment, and consumer products industries.

I'm also the host of Protégé Podcast, the leading career success show for diverse professionals. My daughter Jordan does the intro for Protégé Podcast, which was selected as a New & Noteworthy podcast by Apple/iTunes, and has featured accomplished diverse leaders such as White House advisor Valerie Jarrett, NBA deputy commissioner Mark Tatum, super-lawyer Ben Wilson, and the best sportscaster in America, my brother, Stan Verrett of ESPN, in addition to dozens of other extraordinary leaders of color.

I have worked as an executive in professional sports, at two of the largest executive search firms, and as an entrepreneur and founder of two diversity startups. My experience with diversity and inclusion began as a student at Howard University, where I researched the emerging policy area of environmental justice. I continued my diversity advocacy at Harvard Law School where, as a member of the Coalition for Civil Rights, I advocated for greater faculty diversity at the law school.

Madame Chair - diversity and inclusion are vital to the competitiveness of American companies. There are three principal reasons why companies are simply more successful the more diverse and inclusive they are.

First, diversity and inclusion helps companies become the fullest, most successful version of themselves as enterprises. From my professional experience in the sports industry, I can tell you that every single professional sports league - from the NBA to the PGA Tour - owes its current level of success and profitability to diversity and inclusion. Ask PGA Tour players if they want to return to the era before Tiger Woods when tournament purses were a fraction of what they are now, when viewership was narrow and niche-oriented, and when the game couldn't honestly claim to be as global as it is today. Or ask the NBA about the power of its industry leading diversity and inclusion initiatives, which have helped grow the game in Asia and Africa. The strategic decisions by the NBA to enter those new markets were guided by a diverse team of executives, including Mark Tatum and Amadou Gallo Fall, both of whom brought a global perspective to the business of basketball.

Second, diversity and inclusion helps companies outperform their competitors. According to the groundbreaking study by McKinsey & Company in 2018, companies in the top-quartile for ethnic/cultural diversity on executive teams were 33% more likely to have industry-leading profitability. As one venture capitalist in Silicon Valley noted: "Social media is driven by culture. Culture is driven by music. Music is primarily driven by influencers of color. So if we want to know what trends our social media portfolio companies need to predict, harness, and focus on, all we need to do is follow what's happening in communities of color."

Third, diversity and inclusion also allows companies to better solve the problems they face. One of our clients at Protégé Search is Freddie Mac. Freddie Mac has an innovative initiative in which the company actively hires as interns students who are on the autism spectrum. Freddie Mac works with a variety of organizations to identify candidates and trains managers to aid with the interns' adjustment to life at the company. From the program's launch in 2012, Freddie Mac has found these professionals to be exceptionally capable, for instance, in data analytics, an area of critical importance for the company.

What can companies do to foster greater diversity and inclusion? From our work with industry-leading companies, there are five core principles which should guide any D&I strategy.

First, the diversity and inclusion strategy must have the support of the CEO and the board with the requisite budget and personnel necessary to execute an enterprise-wide strategy.

Second, the D&I strategy must be linked to individual and group performance standards and be tied to executive compensation.

Third, companies have to move beyond diversity on candidate slates and mandate diversity on interview teams. Moreover, executive search firms must be held accountable for the diversity of the candidate slates they submit to their corporate clients.

Fourth, companies must be transparent about hiring rates, promotion rates, compensation, and advancement to senior management by employees of color. It should not require public pressure by advocacy groups for companies to be transparent about equality. If companies want to continue to earn consumer trust, they must make public-facing disclosures about where they stand on diversity and inclusion.

Fifth, companies must harness the entrepreneurial talent of their diverse staff, by unleashing these high potential professionals to help solve the enterprise's toughest challenges and to help seize the company's greatest opportunities.

In a country which will be majority people of color by the middle of this century, in an era where consumers and prospective employees are motivated by the social values of the companies they support, and against the overwhelming research which supports the positive business outcomes of diversity and inclusion, companies ignore this strategic imperative at their own peril.

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