



Getting ahead of sexual harassment risk

Private company perspective

Discussion about board oversight of sexual harassment issues often comes up only after public allegations have thrown the company into crisis. But, as #MeToo continues to raise awareness of the prevalence of sexual misconduct in the workplace, the KPMG Board Leadership Center has heard from board members of private companies as they assess how their boards can get out in front of the issue, even if their company has not yet been directly impacted.

As a private investor recently shared with me, “Given the number of executives and employees across our portfolio, if we are not crystal clear regarding our expectations on these issues, that’s on us.” Boards have been and will continue to be held accountable, at least in the court of public opinion. If a serious issue arises, “We didn’t know” or “We were going to look into it” are not sufficient responses.

Here are a few suggestions to consider:

Emphasize values.

If boardroom conversation focuses exclusively on goals, plans, and results, this would be a good time to add company values and culture into the mix. Setting the tone at the top and encouraging management to communicate it down through the organization will go a long way. Of course, words alone are not enough. The board should expect management to model positive company values and to have no tolerance for misconduct.

Assess prevention measures.

As tracked by *Harvard Business Review (HBR)*, allegations have been made against at least 100 men in power in the past year. Given the wide scope of the problem, no board should assume that the company has no issues just because nothing has come to its attention. Every board should be asking about the company’s policies, training, outlets for employees to complain, and practices with regard to investigation

and follow-up action. The board of an investment company should also be asking whether members of management who participate on portfolio company boards are asking similar questions at the portfolio company level.

Encourage speaking up.

For an organization to find and respond to misconduct, it must be clear that speaking up is welcomed, complaints will be taken seriously, and those making good faith allegations will be protected from retaliation. Requiring that management immediately notify the board of any complaint against an executive is also a good practice.

Follow smoke, stamp out fire.

Many of the incidents that have hit the headlines were ultimately not a surprise to people close to the situation. In some instances, rumors had been swirling for decades. Directors need to become students of the company’s culture—routinely get to know employees below the C-suite level, review employee engagement surveys, and read social media comments about the company by current and former employees and other stakeholders. If concerns are expressed, dig deeper. If a serious issue is uncovered, it should be addressed decisively by management or the board—whether the person at fault is an up-and-coming star performer, a shift supervisor in the factory, or a powerful and entrenched CEO.

Expect balance.

The current environment raises tough questions. Where is the line between conduct resulting in termination and conduct resulting in lesser consequences? How much evidence is enough to merit terminating the accused, potentially destroying that person's career? What if some men do not want to work with women for fear of unsubstantiated accusations? As societal expectations continue to evolve, the board can help management consider the right balance and set the right tone.

As an HBR article noted: "This is not a fight between men and women. It's a fight over whether a small subgroup of predatory men should be allowed to interfere with people's ability to show up and do what they signed up for: work." Companies that proactively and thoughtfully work to prevent and address sexual misconduct will benefit in the long run by reducing risk and removing a barrier to attracting and retaining top talent.

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