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BUSINESS

‘There Was a Piece Missing—We Were All White’: One Bank Targets Racial Inequity

Companies across the U.S. are pledging to hire and promote more women and people of color, in many cases saying they want to make their workplaces reflect their customers. Boston-based Eastern Bank has made sustained efforts yet still says ‘we have a long way to go.’

By Ruth Simon | Photographs by Jared Charney for The Wall Street Journal

Eastern Bankshares Inc. isn't the largest bank in Boston, or the most profitable. But in its hometown—and across the country—it stands out as a company with historically white leadership where sustained efforts to promote racial diversity have taken root.

‘It made sense for us to look like the communities we were serving.’

Eastern's lead director and president are both Black. People of color account for one-third of the bank's board, 17% of its management committee and 40% of new hires.

Eastern's drive is decades in the making. It was sparked by the 1995 appointment of the bank's first Black director, facilitated by charitable donations that provided opportunities for executives to interact with diverse communities and spearheaded by an Irish Catholic chief executive who was inspired in part by his ex-wife's experience coming out as gay.

Companies across the U.S. are pledging to hire and promote more minorities, in many cases



Bob Rivers, CEO of Boston-based Eastern Bank, broadened his network and the bank's advisory boards.

saying they want to make their workplaces more representative of their customers. George Floyd's killing in police custody in May led many executives to denounce racism and promise to re-examine their own policies.

Eastern's efforts suggest success requires sustained effort at the top levels of management. Still, the company says there were missteps along

the way and says its work is unfinished.

“Certainly, we are proud of the progress we have made, but we are mindful that we have a long way to go,” said Bob Rivers, a white executive who joined Eastern in 2006 and became CEO and chairman in 2017. “It's hard work, but it's doable work.”

Eastern has struggled to move employees of color into

middle- and upper-level jobs. White men still lead most key business units. After Mr. Floyd's killing, the bank concluded its diversity efforts were insufficient and instituted new initiatives and plans to tie senior leaders' pay to workforce diversity goals.

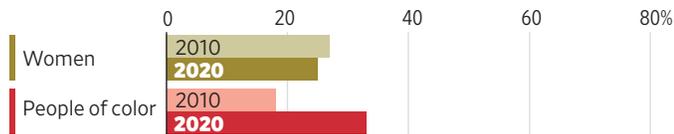
This month, Nasdaq Inc. said it aims to require most of its listed companies to include

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Percentage of Eastern Bank roles filled by...

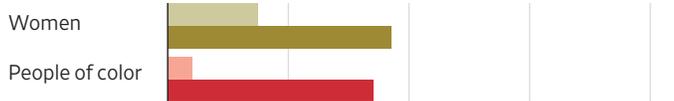
Board of directors



Management committee



Advisory boards



Staff*



*Excludes employees in management and board roles

Source: the company

women and people of diverse races or sexualities on their boards.

More than a quarter of S&P 500 boards don't have a Black or Latino director, according to Equilar Inc., a corporate-leadership data firm. About 7.9% of directors of companies in the S&P 500 are Black and 4.1% are Latino, according to Equilar.

There continue to be few Black and Latino executives in corporate leadership. Among all U.S. companies with 100 or more employees, Black people hold 3% of executive or senior-level roles, according to Equal Employment Opportunity Commission data.

The leaders of Merck, IBM and others have raised more than \$100 million this year for OneTen, a new startup that will focus on training Black candidates for corporate roles, saying the efforts companies have undertaken in recent years haven't made a meaningful difference for Black Americans.

Eastern, founded in 1818 as a local savings bank serving Salem, north of Boston, now has \$15.5 billion in assets and 89 branches in Massachusetts, New Hampshire and Rhode Island and a headquarters in Boston's financial district.

Women accounted for 29 of Eastern's first 37 customers, according to bank ledgers, though their attorneys handled

the paperwork because only men could open bank accounts by law. Until its initial public offering in October, Eastern operated as a mutual bank, meaning it wasn't controlled by stockholders or other direct owners.

Eastern had spent several years trying to build a board of directors worthy of its ambitions to grow from a local bank into a regional lender when it brought on Wendell Knox as its first Black director in 1995.

"We had some very experienced smart people from various walks of life," said then-CEO Stanley Lukowski. "There was a piece missing: We were all white."

Mr. Lukowski said he wanted to bring on experienced business people who grew up in different environments and experienced discrimination, and could provide the bank with additional points of view. A bank "has to deal with a large section of the community or it won't be successful," he said.

At the time, a Black woman headed human resources, "but it wasn't until you got really down to the teller ranks and the branches that you found more of a sprinkling of diversity," said Mr. Knox, then chief executive of Abt Associates Inc., a public-policy research and international development consulting firm at the time based in Cambridge.

"Wendell was very useful in helping us to understand the need for more diversity" and in providing introductions to different groups in the broader community, said Richard Holbrook, Eastern's CEO from 2007 to 2016.

In 1999, the bank began donating 10% of net profits to charity. As a mutual bank, "we felt the owners were the community. We felt we needed to give back," said Mr. Holbrook.

Mr. Knox encouraged Eastern to provide financial support to organizations serving people of color. Today, Eastern's foundation provides donations averaging \$3,500 to roughly 1,500 community groups, as well as larger grants typically \$50,000 to \$100,000 targeted to specific issues.

Expanding Eastern's charitable efforts turned out to be good for the bank, bringing invitations to attend and sponsor dinners and other community events that would raise its profile and open new avenues to customers and potential recruits. The bank said consumers, small businesses and nonprofits have cited its

community activities also helped the bank build a profitable business lending to affordable-housing ventures, he said.

Mr. Rivers, its current CEO, first joined Eastern as its chief banking officer and became president the following year. In 2010 Eastern acquired Wainwright Bank & Trust Co., which had supported the gay-rights movement and other social-justice causes as part of its mission since its founding in 1987.

Mr. Rivers, 56, grew up in a working-class Irish Catholic family in Stoughton, Mass., and started his banking career as a teller. His commitment to diversity was influenced by the final years of Robert F. Kennedy, for whom he is named, and the challenges his ex-wife faced after coming out as gay in 1997, he said.

When Eastern came calling, Mr. Rivers was working for an Omaha-based bank that had just been acquired. Then 41, with a comfortable nest egg, he was pondering a future at a nonprofit or government work. During an interview with the bank's search committee,



Eastern has been working to diversify its leadership and staff and serve diverse markets for years. Above, a Black Lives Matter sign at the Dedham branch.

charitable and community activities as a reason for bringing their business to Eastern.

On the nonprofit side, "there were hundreds of accounts we ended up opening over the years because people got to know us," said Mr. Holbrook, the former CEO. Eastern's commu-

he said that gay rights was this generation's civil-rights struggle. "I felt if this was a company that got scared off, it wasn't right for me," he recalled.

When he returned to Massachusetts, Mr. Rivers started broadening his network. Colette Phillips, the Black CEO of her



Bank President Quincy Miller. People of color account for one-third of the bank's board, 17% of its management committee and 40% of new hires.



Deborah Jackson is the lead director on the bank's board. PHOTO: EASTERN BANK



Books in Mr. Rivers's office.

own marketing firm, remembers Mr. Rivers cold-calling her with an invitation to lunch. Ms. Phillips invited Mr. Rivers to one of her multicultural networking events; he showed up, then came back for others.

"People were very impressed when the president of the bank showed up at an event where he was the minority," said Ms. Phillips.

Before Covid-19, Mr. Rivers was attending a half-dozen community events a week, in addition to those sponsored by more traditional business groups, making sure to arrive for the cocktail reception to network. "I am the only CEO there, by a long shot, in a bunch of cases," said Mr. Rivers. "That's a competitive advantage."

Mr. Rivers said he has passed along new contacts as potential candidates for the bank to hire and that "business opportunities would follow as well."

He also tapped his growing roster of contacts to diversify Eastern's two advisory boards.

The advisory boards, which are a legacy of Eastern's origins as a mutual bank and are separate from the board of directors, have about 135 members. In exchange for a small stipend, members act as goodwill ambassadors to the local community. They also serve as the bank's eyes and ears, listening for feedback on how Eastern's practices affect various communities and looking for opportunities the bank might otherwise miss.

When Mr. Rivers arrived, most people on the boards were white men, many of them former directors of smaller banks Eastern had acquired. As longstanding members stepped down, Mr. Rivers brought on Ms. Phillips and filled many other openings with women, people of color and members of the LGBT community. He placed some

new recruits on nominating committees that select advisory board members, where they could pull in contacts from their own networks.

He also invited members with relevant experience to serve alongside Eastern directors on board committees.

"It wasn't rocket science," said Deborah Jackson, who became Eastern's second Black director when she joined its board in 2000. "We were expanding into more diverse communities. It made sense for us to look like the communities we were serving."

When Mr. Knox retired in 2018, he was succeeded as lead director by Ms. Jackson, who is president of Cambridge College.

Today, 34% of advisory board members are people of color, up from 4% a decade ago. "We all brought our own networks," said Vanessa Calderó-Rosado, a Latina advisory board member who also serves on the nominating committee and is CEO of Inquilinos Boricuas en Acción, a Boston nonprofit community development corporation providing affordable housing and other services in a mostly Latino neighborhood.

The networking helped Eastern fill key slots. An advisory board member introduced Mr. Rivers to Paul Alexander, now the bank's chief marketing officer. Greg Shell, the bank's newest director and a partner at Bain Capital, was an advisory board member before he joined the board of directors. Mr. Rivers worked with Quincy Miller, the bank's president and his heir apparent, when they both were at M&T Bank in the late 1990s. The three men are Black.

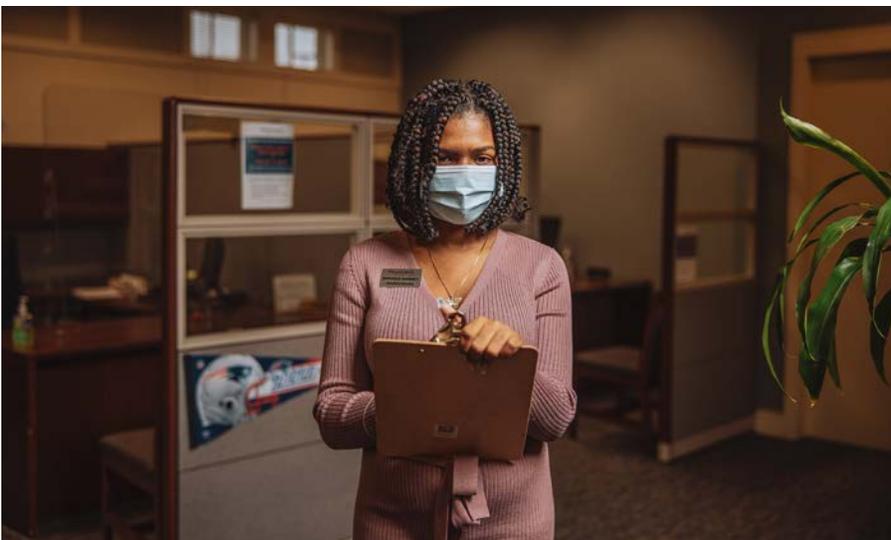
Mr. Rivers is looking to have Eastern's advisory boards play a bigger role in identifying potential job candidates. Mr. Miller said that the bank wants its staff to look like the demographics of the population it serves. In the Boston metropolitan area, the percentage of people of color has grown



Tiliah Miles spoke to a customer at the Dedham branch. Eastern is working on a dashboard that measures its workforce, hiring, promotions and employee departures by race and gender, and by



Carlos Matos helped a customer at an Eastern Bank branch in Dedham, Mass., this month.



Denasia Dorsey at the Dedham branch. Eastern said it wants to build a supply chain that does more business with minority-owned companies.

from about 19% in 2000 to about 31% in 2019, according to the Census Bureau.

Eastern realized earlier than many companies that cities like Boston were growing more diverse, said Jim Rooney, CEO of the Greater Boston Chamber of Commerce. “That community bank culture has enabled them to stay connected to the issues that are affecting their customers and clients a little better,” said Mr. Rooney. “That is what tuned them in earlier to issues of racial inequality and economic opportunity.”

Diversifying the bank’s workforce has proven more challenging. Eastern has no Latino or Latina employees at the senior vice president level or higher. White men continue to dominate units such as commercial banking, wealth management and insurance.

“We get whiter and more male as we go up,” said Kathy Henry, Eastern’s general counsel and new chief human resources officer, who is white.

The bank’s location in Boston, a city with a history of racial tensions, has been an obstacle to attracting out-of-towners. “People of color are hesitant to come here,” said Mr. Rivers.

With about 1,800 employees and a footprint in just three states, Eastern lacks the recruiting resources of larger corporations. The average Eastern employee stays at the bank for more than 10 years, limiting opportunities for lower-ranking employees to move up.

Eastern said it had long inadvertently masked deficiencies in diversity by routinely lumping together Black, Latino and Asian employees as “people of color.” It viewed all employees as one group, rather than dividing them by business unit or position. That approach obscured gaps, such as the dearth of Latino employees in the upper ranks and how few people of color worked in certain business segments.

“In many ways, we have lost the trees for the forest,” said Mr. Rivers. “We pursued diversity broadly and described it as such, without being more intentional about certain communities and attributes.”

This fall, Eastern began work on a detailed dashboard that measures its workforce, hiring, promotions and employee departures by race and gender, and by department and position. Eastern presented an early version of the report to board members in December; it plans to share the findings with employees, advisers and the broader public next year.

The dashboard will also measure Eastern’s procurement and its charitable contributions, including the extent to which donations are directed to nonprofits led by people of color, at the board or staff level, or that serve diverse communities.

“Is it enough to say that we care and this is important to us—or do we have to do better at providing evidence of that?” said Ms. Henry.

In the days after Mr. Floyd’s killing, the subject of Mr. Rivers’s weekly letter to

employees was focused on the pandemic. He said addressing Mr. Floyd with senior leaders and employees hadn't occurred to him, until he began to see how the event was affecting his Black colleagues. In his next letter to employees and elsewhere, he apologized in deeply personal terms for that.

Mr. Miller, Eastern's president, started holding roundtables with Black employees, some of whom told him there isn't enough diversity in their business units.

Mr. Rivers sent a letter to all bank customers in support of Black Lives Matter in June. The bank also put up billboards at the request of Black employees, who noted that Eastern had earlier put up billboards supporting transgender rights.

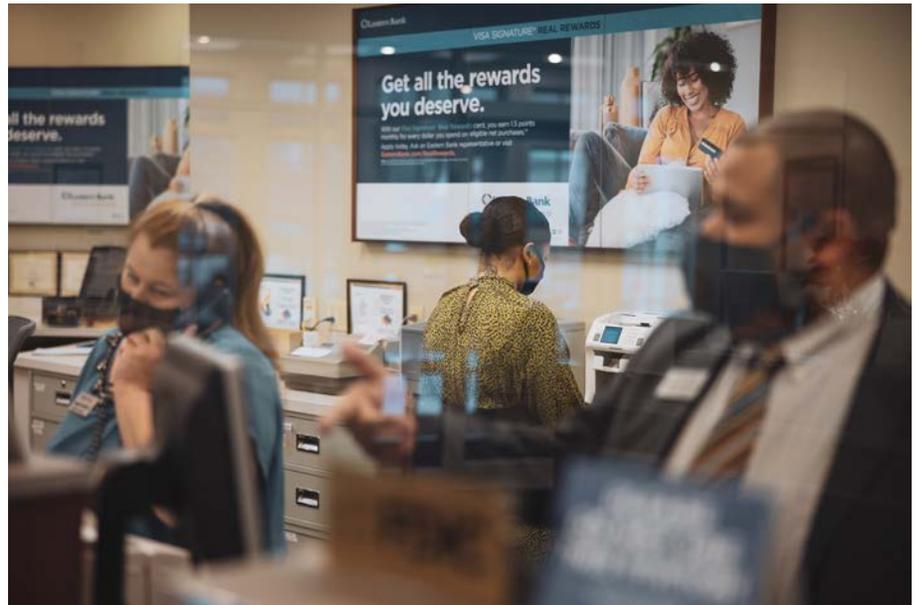
The bank received roughly 75 calls, emails and letters from unhappy customers, but fewer than 10 customers closed accounts. "There had been many other times when we had been public in supporting other communities and issues that could be perceived as being political," such as gay rights and immigration, said Mr. Rivers. "We were used to it."

"I expected more. I expected more sooner," said Tanisha Sullivan, president of the NAACP Boston Branch, which moved some accounts to Eastern two years ago because of the bank's commitment to diversity. Based on Eastern's high profile on these issues, "I was very disappointed in how long it took," she said.

Eastern's leaders say the bank didn't want to simply add its voice to a growing corporate chorus. "Instead of coming out with a message immediately, Bob wanted to take a moment and listen," said Mr. Miller. "It's not that we were late per se," he added. "We weren't first to the game like we are in so many instances."

Eastern's board has held two special sessions beginning this summer with a three-hour meeting in August at which Mr. Shell gave a 90-minute presentation on the history of racism. The bank is hiring a diversity consultant who will report directly to Ms. Jackson, the lead director.

In the past decade, Eastern's leadership has worked to change how the bank spends its money. The bank launched its supplier diversity program in 2010. In 2016, it spent nearly six months mapping invoices from



Kellie Amato, Ms. Miles and Mr. Matos at the Dedham branch. The bank pledged \$10 million to create a nonprofit that provides strategic advisers and capital to established Black and Latino-owned businesses.

five business units responsible for most of its procurement. It will be expanded to other business units next year.

Building a supply chain that does more business with minority-owned companies requires changing the thinking of purchasing managers, who are typically rewarded for bundling contracts, shaving pennies off deals and avoiding risk.

Businesses owned by people of color tend to be smaller than white-owned businesses, which makes it more difficult for them to compete with larger companies or have the same economies of scale.

"Spending a little more on a minority contract, or breaking a large contract into two or three is not going to change the financial outlook of" the bank, Mr. Miller said. "I am not going to pay 50% more. This is not a handout," he added. "But even 10% more, for a diverse supplier, is important for them in terms of their profitability."

Eastern's charitable arm in 2017 pledged \$10 million to create the Foundation for Business Equity, a nonprofit that provides strategic advisers and capital to established

Black and Latino-owned businesses.

The bank also opened outposts in Lawrence and Roxbury, communities with large Latino and Black populations that in recent decades had seen few new bank branches, and updated its automated phone line to provide more Spanish-language answers to customer questions.

It has created a team to develop new products and services that could better serve a broader range of customers, starting with women and minority-owned small businesses. "Because we value the diversity of thought," the bank also plans to hire an outside consultant who isn't a banker but has expertise in working with diverse communities, Mr. Miller said.

None of this will be easy, acknowledged Mr. Miller, who nonetheless expects Eastern to make "tangible progress" each year. "There are 400 years of inequity," he said. "It is not going to be changed in 12 or 24 months. It is going to take hard work and time."

Paul Overberg contributed to this article.

