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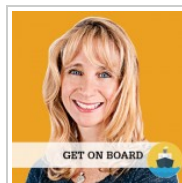
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## Board diversity: Women and minorities in the boardroom

By Marissa Levin

Board diversity has been a point of contention for several years, as more and more women and minorities advance in corporate America.

I recently reviewed two comprehensive reports that shed light on Board diversity: *The Heidrick & Struggles Board Monitor: Trends in Board Composition over the Past Five Years* and *PwC's 2014 Annual Corporate Directors Survey – The Gender Edition*.



The studies found that the concept of board diversity continues to expand. It includes not just gender and ethnicity, but skill sets, cultural background and diversity of thought — and the business value they could produce.

There has been some advancement in board diversity over the last five years. Heidrick & Struggles has tracked board placement from 2009 through 2013. During that time, the number of newly appointed directors of Fortune 500 companies averaged 326 per year, as shown in the charts below. Each chart also indicates the diversity trends per year, according to demographic.

The percentage of **women** among newly appointed directors climbed steadily each year from 2009 through 2013.

	2009	2010	2011	2012	2013	Average
Number of new directors	356	279	336	298	359	326
Female	64	54	73	68	93	70
	18.0%	19.4%	21.7%	22.8%	25.9%	21.6%

The percentage of **African-Americans** among new appointees in 2013 was nearly double the figure for 2009. On the other hand, those percentage increases occurred on a very small base.

	2009	2010	2011	2012	2013	Average
Number of new directors	356	279	336	298	359	326
African American	19	9	26	23	37	23
	5.3%	3.2%	7.7%	7.7%	10.3%	7.0%

The percentage of **Hispanics** among new directors has remained relatively flat.

	2009	2010	2011	2012	2013	Average
Number of new directors	356	279	336	298	359	326

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Hispanic	18	15	13	14	18	16
	5.1%	5.4%	3.9%	4.7%	5.0%	4.8%

The percentage of **Asians** among new directors has been erratic over the past five years.

	2009	2010	2011	2012	2013	Average
Number of new directors	356	279	336	298	359	326
Asian	14	14	27	10	22	17
	3.9%	5.0%	8.0%	3.4%	6.1%	5.3%

There continues to be an increasing demand for professionals with **government experience and career military backgrounds**. On average, 11 percent of new appointees for the past three years have these backgrounds.

	2009	2010	2011	2012	2013	Average
Number of new directors	356	279	336	298	359	326
Retired Government	—	—	35	27	45	36
			10.4%	9.1%	12.5%	11.0%

Further, sitting and former CEOs claimed almost two-thirds of new appointments throughout the five-year period. "While that preponderance of CEO and CFO appointments inadvertently limited demographic diversity, the more important point is that it suggests a reluctance to embrace candidates who do not fit the CEO/CFO mold — candidates who could potentially make equally valuable contributions to board deliberations," Heidrick & Struggles note.

#### Perspectives on the need for diversity

Not surprisingly, male and female board members don't see eye-to-eye regarding the importance of having gender and racial diversity on their boards. Women are far more likely to consider board diversity important:

- 61 percent of female board members describe gender diversity as "very important," compared to only 32 percent of male board members.
- 42 percent of women also ranked racial diversity as "very important," while only 24 percent of their male counterparts did.

#### Encouraging more diversity

How can boards be encouraged to step outside their comfort zone to expand?

**Think beyond the CEO.** One of the biggest obstacles to diversity is the belief that the ideal director must have CEO experience. "Certainly, many skill sets converge in a typical CEO, and an experienced chief executive can add great value to the board's work and provide useful advice to management. However, many outstanding GMs and divisional heads possess the strategic and operational skills, as well as the P&L experience, that make CEOs such attractive board candidates."

**Scout out young talent.** Younger executives bring new ideas, high energy and greater diversity. They also have the time and the drive to commit to a board as they build their career tracks.

**Create a candidate pool that mirrors your employee and customer base.** There is great risk in **not** diversifying today's boards. To remain relevant and connected to your client base, your company requires board representation that can provide insight into how clients think and what they want. "The nominating committee may need to look beyond the traditional pools of talent, add the question of readiness to assessment, and reference more extensively the farther they depart from traditional candidates. And they will need to be well prepared to defend any choice that other directors might regard as risky. But none of those steps is particularly difficult; they require only the will to undertake them and due diligence in carrying them out. And in the long run, the extra effort will deliver far more value to the board and the company," Heidrick & Struggles contends.

While these conclusions reflect findings for boards at public firms, the trends trickle down. The board

landscape continues to evolve racially, ethnically and by gender to reveal an increasingly global and diverse corporate world.

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