

## **Bold Leaders. Actionable Solutions: October 21, 2020**

On October 21, 2020, [Ellig Group](#) and [SHRM](#) hosted an invitation-only virtual convening of board and executive leaders for a candid, no-holds-barred conversation about diversity in U.S. boardrooms. The twenty attendees, many of whom represented some of the largest publicly-traded companies across all industries, brought forward their thoughts about the challenges and potential barriers to achieving broad diversity goals. With that as a backdrop, ideas and practical solutions were discussed. This whitepaper summarizes the conversation to share the output with a broader audience and to effectuate change on a larger scale.

A list of the attendees and their impressive board affiliations is included in the Appendix.

### **BACKGROUND:**

The progress for board diversity has been steady but slow. In 2020, the percentage of board seats held by women is approximately 28%.<sup>1</sup> While this is significantly higher than the 10% figure in 1995<sup>2</sup>, it represents a less than 1% average annual rate of change over the past 25 years. Globally, the U.S. ranks 18th<sup>1</sup> among developed nations for the number of women on boards. Other underrepresented groups have made even less progress, although it is hard to obtain an accurate figure since most companies do not disclose ethnicity in board bios. Some of the best available data puts the number of Black, Hispanic, and Asian men and women directors at just over 20%<sup>3</sup> on a combined basis.

### **BOARD REFRESHMENT LEVERS AND TOOLS:**

Board refreshment, which many believe is the key to creating opportunities for new board members, is facilitated through several established levers and tools, including:

**Mandatory Retirement:** Following a fairly aggressive push for implementation a decade ago, companies had settled into a fairly standard retirement age of around 72 years old. However, over time the average retirement age has inched up and now sits at around 75 years old for the S&P 500. At the same time, the number of companies that have mandatory retirement policies is actually decreasing in the same population.<sup>4</sup>

**Tenure:** Long-tenured directors have persisted. In 2019, the average tenure of board directors that stepped down or were not re-nominated was over a decade. More than a third of those directors had served those companies for 15 years or more.<sup>4</sup>

**Assessment:** Most boards have an annual performance assessment process; however, it does not appear that these assessments routinely identify board members to be removed based on performance and contribution. Individual director assessments may help, but are performed by less than half of the S&P 500. Ninety-six percent of boards perform annual assessments; 44% assess individual directors as part of that annual process.<sup>4</sup>

<sup>1</sup> 2020 figures obtained from BoardEx; BoardEx 2019 Global Diversity Report

<sup>2</sup> 1995 figures obtained from Catalyst.

<sup>3</sup> Source: <http://www.cnbc.com/2020/06/25/fewer-black-executives-were-added-to-sp-500-boards-over-the-past-year.html>

<sup>4</sup> 2019 Spencer Stuart Board Index

**ACTIONABLE SOLUTIONS:**

After a robust and dynamic conversation, nine specific actions were identified by the group. Each is summarized below.

**I. Diversify the Nominating and Governance Committee First** – Make sure that the board’s diverse directors serve on this very important committee

Several directors talked about recent successes in rapidly improving the gender and ethnic/racial diversity of their boards, citing increased focus of – and pressure emanating from – a Nominating and Governance Committee that was comprised of the board’s current diverse members. Board members indicated that when the Nominating and Governance Committee was itself diverse, the progress in reaching overall board diversity goals was amplified significantly. One director said that the Nominating and Governance Committee of his board was comprised of all of the women on the board, and that they were “loud and powerful” in making broader change happen.

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“I always try to weasel my way onto the Nominating and Governance Committees of all boards that I have joined. Once in that role, I would always make sure that the slate for new directors includes women; today I push for 50% of the slate candidates to be women. My philosophy has always been to use one hand to move myself forward and use the other hand to yank another woman up onto the boards where I serve right behind me. I always took it as a responsibility, a key element of my leadership.”

*Maggie Wilderotter - Chairman and CEO, Grand Reserve Inn*

“The Nominating and Governance Committee needs to, in and of itself, be a diverse group to excel and increase the odds. Boardroom conversations have changed, particularly since the California quota laws were passed regarding gender two years ago, and recently for racial diversity and LGBTQ.”

*Donna Wells – CEO, Valencia Ventures*

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**II. Increase Transparency** - Make specific diversity goals and commit to them publicly

Many of the attendees felt this was the most important lever to pull if a board is really committed to achieving diversity goals. First, the board must agree on the ideal mix of gender and ethnic/racial diversity, and then commit publicly to achieving that goal. One director went so far as to say that it would be unimaginable that a company wouldn’t achieve that goal once it had been discussed publicly. Of course, this must be carefully considered given recent legal actions taken by shareholders in response to companies that have not achieved previously disclosed diversity & inclusion goals.

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“If I can push for one thing, it is transparency. I think boards and companies must make it public. The goal needs to be public - not just within the company - because then we will be held to a standard of our own setting. We will meet that target, if

people know that's our direction.” *Kay Koplovitz – Chairman & Co-founder, Springboard Enterprises*

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**III. Demand Diverse Slates – Reject unacceptable results from Nominating and Governance Committee or Search Firms**

Once the target is set, the board must be willing to hold the Nominating and Governance Committee and any retained search firms accountable for providing a diverse slate for consideration. One CEO, who also serves on other public company boards, said that corporations would never accept the kind of poor performance that many search firms have demonstrated in providing a diverse slate. An analogy was made to other consultants used by the company that would certainly be terminated if they unilaterally decided to change the deliverable or the outcome of a major project.

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“If you think about it, there is no other part of our business where we engage advisors and accept five different options when only one truly achieves the objective. (As an example) If we want to build a plant in China, and our consultant comes back and says, ‘Well, why don't you just build it in Thailand? Or Indonesia?’ Well, what didn't you understand? I want to build it in China. Why would this work be any different than any other work that we judge based on the outcomes? The stakes and the desired outcome are just as clear.” *Stephan Tanda – President and CEO, AptarGroup, Inc.*

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**IV. Refresh the Board – Show courage and encourage turnover**

The word “courage” was used throughout the discussion. Board members must show more courage in removing board members who are no longer contributing. This outcome was also tied to instituting and conducting more robust annual assessments – specifically individual director assessments.

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“I think it's about more than intention. I think it's about courage. We have individual board assessments on three out of four of my boards, and I have personally counseled out four board members, underperforming members. It is not easy to do. It is not fun to do. It can be dicey sometimes. It is very delicate, but that is what we are there to do. I think if you're in a leadership role on a board, it's really important that you do what you need to do to create these openings when they need to be created. In too many of the cases, I just see the can being kicked down the road because people are afraid to do individual assessments and have difficult conversations.” *Cindie Jamison - Chairman, Tractor Supply Company*

“I'm not a big believer in either term limits or age limits. I'm more of a believer in that the board ought to police itself, and that individual directors have an obligation to the board that they look in the mirror on any given day and ask themselves, ‘Are you bringing your A game?’” *Les Brun – Chairman and CEO, SARR Group, LLC*

“For one of my boards, the chairman of the board, the chair of the Nominating Committee and the CEO sit down on an annual basis and say, ‘Each individual director, what are their contributions? What is their performance? How effective are they? Are their skills still relevant to enabling our strategy?’ We also have a policy that states once an individual retires from their principal employment, they cannot serve for longer than five years. We have a number of factors that force refreshment, but it really comes down to examining the director’s skill sets and contributions ... we have exited as many directors as we have brought on the board. It is just as important.”

*Kathy Higgins Victor – President & CEO, Centera Corporation*

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**V. Sponsor/Develop Diverse Executive Talent – Pull up diverse execs throughout the organization**

Board members and executives are uniquely positioned to help expand the pool of diverse candidates by sponsoring, encouraging, and mentoring the promising executives from underrepresented groups within the company. More and more CEOs are launching mentorship programs for senior executives in the company to help them prepare for and identify board opportunities, and more and more boards are willing participants in those initiatives.

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“The HR leadership needs to recruit more diverse executives into P&L and executive leadership roles so they are attractive board member candidates; we can solve for the lack of diversity on boards by improving candidate flow. As board members, you must strongly encourage the CEO and the CHRO to help bring the right executive-level talent into your organization so that they will one day be competitive for board vacancies.”

*Johnny Taylor – President & CEO, SHRM*

“The accounting firms, law firms, and others that serve boards often provide the best referrals for board candidates. I’d like boards to take advantage of those relationships to find people outside of the same old network.” *Maryann Bruce – Former President, Aquila Distributors, Inc.*

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**VI. Add a Seat – Do not wait for turnover to add a diverse director to the board**

Many of the participants talked about the need to “always be looking” – not simply waiting for a seat to open. In addition, as the size of the board has been largely unchanged over the past 10 years (average of 10-11), there was a broad consensus that a board could consider adding a seat to achieve greater diversity. It is always important to make sure the board is the right size, but if low turnover is a reality for a board it may accelerate progress by expanding the size of the board rather than waiting for a vacancy.

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“If all of the leaders who have expressed support just went out and executed, we could be where we want to be in a matter of a couple of years versus decades of a glacial 1% per annum. If the leader is committed, if we believe in it and we want to

execute, we do it even if it means adding a seat. The talent is out there. We were explicit with the search firm (we are using today) on the criteria front, and we've been blown away by the quality. Quality sells the decision." *Truett Tate – Chairman of the Board, QBE North America*

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**VII. Refuse a Board – Affiliate only with socially-minded boards that demonstrate a commitment to DEI principles**

This forum of board members would refuse to join a board if it lacked diversity or intentionality of its support of DEI. This is a pretty important statement about the perceived reputational risk of affiliating oneself with a company that has not made meaningful progress on diversity, equity, and inclusion. It was noted that this is a more powerful statement if a director voices that position to the chair and the CEO directly when refusing to be considered.

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"I have been in the situation where I was a new member of a board that was a 'good old boy' board. As the board cohort was refreshed, we became intentional with our efforts to diversify the board; our biases were holding us back. There are younger people that are ready. There are functional leaders that are ready. Would I join a board that wasn't diverse today? Honestly, if a CEO does not have the spirit of intent to make that change, count me out. By the way, I think an older white guy is going to need to take a back seat to make this happen." *Richard Davis – CEO, Make-a-Wish Foundation*

"As we've seen in the past, peer pressure plays an important role in helping to increase board diversity. It is important for experienced directors to not only refuse board seats due to diversity shortfalls, but also make their reasons known to the CEO and board chair." *Nicole Sandford – Global Board Practice Leader, Ellig Group*

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**VIII. Open the Aperture – Seek skills not titles**

As slow as diversity progress has been in the boardroom, it has been even slower in the CEO's office. Women and ethnically/racially diverse CEOs in the Russell 3000 are still exceedingly rare. To truly open the aperture, boards need to be willing to consider candidates with functional/specialized expertise and skills and to consider those without public board experience. This is happening but needs to be embraced more universally.

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"Intentionality is really critical. For so long, we heard 'we can't find candidates.' It was all about the 'cant's.' I can point to two boards with which I am familiar where we have terrific Black women chairing important committees, so not only are they directors, but they are in leadership positions. We just decided that diversity matters and found great candidates. We were committed. In the end, you can't give up." *Pat Russo – Board Chair, Hewlett Packard Enterprise*

“When I was asked to be on the Verizon Board, the CEO/Chair of the Board was very clear about his intention to have a more diverse board and that is how - and why - I had the opportunity to join that board. Intentionality.” *Richard Carrión – Chairman of the Board, Popular, Inc. and Banco Popular*

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**IX. Broaden the Network: Seek Candidates through new sources**

According to studies by PWC, nearly 90% of boards surveyed say that they primarily seek new directors from their existing network. As over 70% of the current S&P 500 board seats are held by mostly white men, it seems likely that boards are “fishing in the same pond.” Boards must realize the limitations of this approach and seek candidates from a broader network if they want to truly untap potential women and underrepresented board members.

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“We ask our financial professionals to give us names of clients that would be great board members. We now have a great diversity across the country, and it's from those regional boards. We are starting to see great candidates for our Corporate Board. To me, it is that broadening of the network and making sure you are asking as many people as possible for recommendations.” *Terry Rasmussen - President & CEO, Thrivent*

“We have to be aware that sometimes we create a problem by wanting to go with people that are known entities to us. We go around the room and say, ‘Well, who do you know?’ and those individuals often then have an edge over the diverse candidates that the search firm provides. That being said, people that want to get on boards should not underestimate the power of networking. However, as directors, we have to ensure that we do the hard work around identifying strong candidates and not bias ourselves by shortcutting the process and defaulting to those that we already have relationships with.” *Dawn Zier – Former CEO, Nutrisystem*

“If every board sets aspirational goals, we can achieve gender parity by 2025 by doing what the Committee of Economic Development promulgated nearly five years ago: just fill every other opening with a woman. The supply is there, it is a demand issue. Being focused and intentional will achieve results.” *Janice Ellig - CEO, Ellig Group*

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Appendix: Program Participants				
First Name	Last Name	Company	Title	Representative Boards
<b>Hosts:</b>				
Janice	Ellig	Ellig Group	CEO	
Nicole	Sandford	Ellig Group	Global Board Practice Leader	
Johnny	Taylor	SHRM	President & CEO	
<b>Moderator:</b>				
Pattie	Sellers	SellersEaston Media	Co-CEO	
<b>Attendees:</b>				
Maryann	Bruce	Aquila Investment Management LLC	Former President, Aquila Distributors, Inc.	Amalgamated Bank
Leslie (Les)	Brun	SARR Group, LLC	Chairman & CEO	Broadridge Financial Solutions (Lead Director) CDK Global Inc. (Chair) Merck & Co. (Lead Director) Corning Inc. Footprint International Holdco, Inc.
Richard	Carrión	Popular, Inc. and Banco Popular	Chairman of the Board	Popular, Inc. (Chair) Banco Popular (Chair) NIBC Holding N.V. Vall Banc (Chair) First Bank Romania Verizon (former)
David	Chun	Equilar Inc.	CEO	
Richard	Davis	Make-A-Wish Foundation	CEO (Former Executive Chairman, CEO & President, U.S. Bank)	Dow Inc. Mastercard Incorporated
Kathy	Higgins Victor	Centera Corporation	President & CEO	Conduent Best Buy Co., Inc. (former)
Cynthia (Cindie)	Jamison	Tractor Supply Company	Chairman	Tractor Supply Company (Chair) Big Lots, Inc. Darden Restaurants, Inc. The ODP Corporation (Office Depot, Inc.)
Kay	Koplovitz	Springboard Enterprises	Chairman & Co-founder	ION Media Networks Veniam

Deanna	Mulligan	The Guardian Life Insurance Company of America	Board Chair (Former President and CEO)	The Guardian Life Insurance Co of America (Chair) The Vanguard Group
Pat	Ottensmeyer	Kansas City Southern	President and CEO	Kansas City Southern
Terry	Rasmussen	Thrivent	President & CEO	Thrivent
Pat	Russo	Hewlett Packard Enterprise	Board Chair	KKR & Co. Hewlett Packard Enterprise (Chair) General Motors Merck & Co.
Stephan	Tanda	AptarGroup Inc.	President & CEO	AptarGroup Ingredion Incorporated
Truett	Tate	QBE North America	Chairman of the Board	QBE North America (Chair) Reference Point (Chair) FIMBA (Chair) Medicus (Chair) The Social Book Club (Chair) Equal Future
Donna	Wells	Valencia Ventures, LLC	CEO	Mitek Systems, Inc. Apex Technology Acquisition Corp. Happy Money, Inc. Betterment Holdings, Inc.
Maggie	Wilderotter	Grand Reserve Inn	Chairman & CEO	Lyft, Inc. HYPE Costco Wholesale Corporation DocuSign (Chair) Hewlett Packard Enterprise Company Tanium Inc. Sana Biotechnology Sonoma Biotherapeutics
Dawn	Zier	Nutrisystem	Former CEO	The Hain Celestial Group Spirit Airlines Prestige Consumer Healthcare