

# WOMEN AND MINORITIES ON FORTUNE 100 BOARDS

PRESENTED BY

The Alliance for Board Diversity



THE POWER OF INCLUSIVE LEADERSHIP



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# THE ALLIANCE FOR BOARD DIVERSITY



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## Letter from the Founding Members of the Alliance for Board Diversity

### ABOUT THE ALLIANCE

The Alliance for Board

Diversity (ABD) was formed

to bring together the

shared vision and

collaboration among three

leadership organizations—

Catalyst, The Executive

Leadership Council,

and the Hispanic

Association on Corporate

Responsibility.

As diversity transforms our nation and our economies become more globalized, it will be increasingly more important that boards of directors represent the interests and marketplaces of tomorrow.

Research shows that diverse teams, well managed, deliver better results: they are often more innovative and more effective, while building on capabilities from broader and more diverse perspectives. Board diversity and board independence go hand-in-hand. And diverse boards communicate a strong statement to all stakeholders – employees, customers, shareholders, communities – that diverse perspectives are valued.

That's why The Alliance for Board Diversity (ABD) is both significant and timely. Leveraging the strengths of our three collaborating organizations, we hope to raise awareness around the business case for inclusion on corporate boards through our shared belief that shareholder interests are best served by promoting boardroom diversity. In fact, the business case for board diversity parallels the business case for the ABD.

So as we look to this year's report, let us all recognize the importance of increased diversity on corporate boards. From the C-suite to the boardroom, diverse and independent leadership has become a new best practice of the most successful companies and is redefining good corporate governance – not only for today, but for the long-term sustainability of business and our economy.

President  
Catalyst

President and CEO  
The Executive  
Leadership Council

President and CEO  
Hispanic Association on  
Corporate Responsibility

# INTRODUCTION

Increased media attention, shareholder activism and regulatory requirements continue to redefine the role of corporate boards, raising the bar for directors' skills within publicly held companies. Shareholders, customers and employees are increasingly diverse; globalization creates new complexities and challenges. Against this backdrop, qualified diverse candidates mark a gold standard for boards looking to bring fresh operational and marketplace perspectives to corporate governance.

In the wake of the passage of the Sarbanes-Oxley Act of 2002, which encouraged companies to cast a wider net for new, independent board members, corporations are discovering the business case for corporate board diversity. Diversity of board members has become a highly desired aspect of good board governance. It acknowledges the interests of *all* stakeholders.

Yet in recent years, despite Sarbanes-Oxley and the reality that the gender, ethnic and racial demographics of shareholders and other stakeholders in U.S. companies have dramatically changed, boards of directors have not followed suit or have done so at a snail's pace.

Simply stated, the directors of corporate boards remain predominantly white and male.

The Alliance for Board Diversity was formed to address this challenge. The three leadership organizations that make up ABD—Catalyst, The Executive Leadership Council (ELC) and the Hispanic Association on Corporate Responsibility (HACR)—share a common goal: to increase representation of women and minorities on corporate boards, with a focus on the business case to advance the interests of female and minority executives in the workplace.

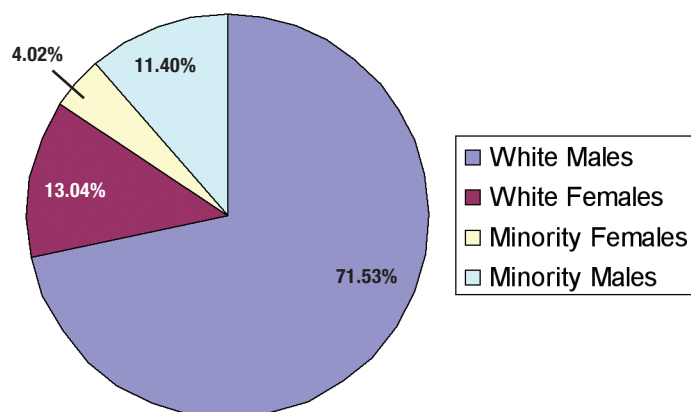
In a point-in-time snapshot of April 30, 2006, ABD identified the number of female and minority directors of *Fortune* 100 boards. *Women and Minorities on Fortune 100 Boards* presents a sobering reality: women and minorities remain severely underrepresented within corporate boards of directors, a company's ultimate governing authority and to which chief executive officers themselves report and answer.

## Key Findings

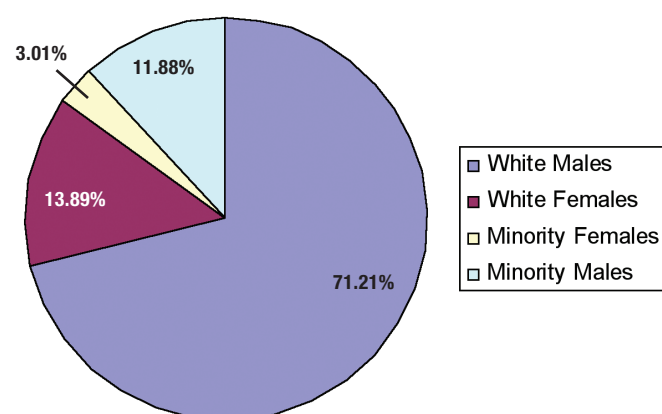
- The overall percentage representation of all women and minority men on *Fortune* 100 corporate boards did not change substantially from September 30, 2004 (the prior point-in-time snapshot) to April 30, 2006.
- Men, and white men in particular, occupied the vast majority of the 1,219 board seats, at 82.94% and 71.53%, respectively.
- In contrast, all women—and, in particular, white women—held 17.06% and 13.04%, respectively, of all directorships.
- All women and minority men constituted 28.47% of board member seats—just under one-third of the total and essentially flat compared with 2004. Corporate directors were and remained predominantly white and male.



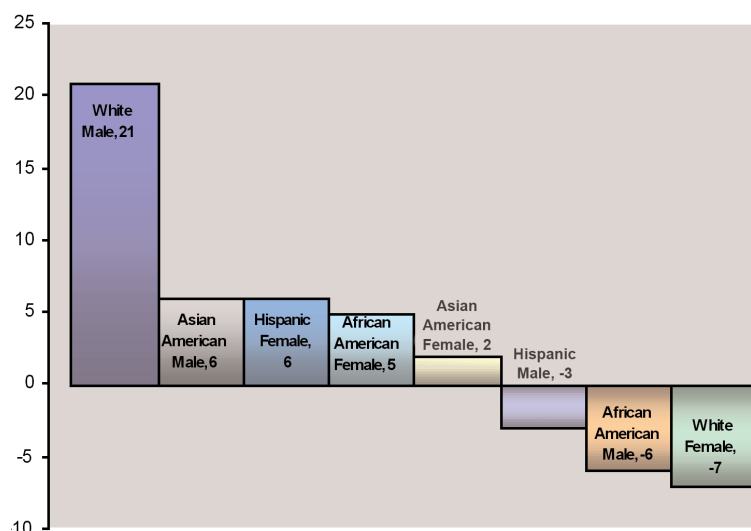
**GRAPH 1:**  
**Percentage of Board Seats Held, 2006**



**GRAPH 2:**  
**Percentage of Board Seats Held, 2004**



**GRAPH 3:**  
**Seats Gained/Lost by Gender and Ethnicity**



During this period, 35 new directors were added, compared with only 24 new board seats.

- In 2006, 41% of the boards had more than 30% of their seats held by women and minorities, up from 38% in 2004.
- From September 30, 2004<sup>1</sup>, to April 30, 2006, *Fortune* 100 companies added 24 new board seats with white men gaining 21 seats.
- Even though minority men lost three seats, men as a group still accounted for the majority of seats gained at 18.
- All women and minority men realized a net gain from 2004 of only three seats.
- Minority women gained 13 seats, but white women and minority men lost seven and three seats, respectively.

- The recycling rate for men overall improved, edging down from 1.21 to 1.18 seats per person; for African-American and Hispanic men specifically, the improvement was even greater. This was the result of more men holding fewer seats per person.
- In contrast, women's overall recycling rate rose slightly, from 1.18 to 1.20 seats per person primarily because the number of board seats held by Hispanic women outpaced the number of individual Hispanic women who became board members. There was, however, a significant improvement in the recycling rate for Asian-American women and a slight improvement for African-American women.
- Minority women overall gained 13 seats, with Hispanic women occupying almost half (six) of the seats.

<sup>1</sup> The prior ABD Census, issued May 17, 2005, reported data effective September 30, 2004.

<sup>2</sup> The recycling rate, which refers to the ratio of board seats held by distinct individuals, is calculated by dividing the number of seats by the number of people.

**TABLE 1: 2006 Versus 2004 Data Comparison**

	Total Board Seats		Gain or (Loss)	% Total Board Seats		Total People		Gain or (Loss)	% of Total People		# People/# Seats	
	2006	2004		2006	2004	2006	2004		2006	2004	2006	2004
<i>Fortune</i> 100 Boards	1,219	1,195	24	100.00%	100.00%	1,030	995	35	100.00%	100%	1.18	1.20
All Women and Minority Men	347	344	3	28.47%	28.79%	287	271	16	27.86%	27.24%	1.21	1.27
All Males	1,011	993	18	82.94%	83.10%	856	824	32	83.11%	82.81%	1.18	1.21
All Females	208	202	6	17.06%	16.90%	174	171	3	16.89%	17.19%	1.20	1.18
White Males	872	851	21	71.53%	71.21%	743	724	19	72.14%	72.76%	1.17	1.18
White Females	159	166	(7)	13.04%	13.89%	137	143	(6)	13.30%	14.37%	1.16	1.16
<b>Minority Males</b>												
All	139	142	(3)	11.40%	11.88%	113	100	13	10.97%	10.05%	1.23	1.42
African-American	87	93	(6)	7.14%	7.78%	67	60	7	6.50%	6.03%	1.30	1.55
Asian-American	15	9	6	1.23%	0.75%	15	9	6	1.46%	0.90%	1.00	1.00
Hispanic	37	40	(3)	3.04%	3.35%	31	31	0	3.01%	3.12%	1.19	1.29
<b>Minority Females</b>												
All	49	36	13	4.02%	3.01%	37	28	9	3.59%	2.81%	1.32	1.29
African-American	32	27	5	2.63%	2.26%	24	20	4	2.33%	2.01%	1.33	1.35
Asian-American	5	3	2	0.41%	0.25%	4	2	2	0.39%	0.20%	1.25	1.50
Hispanic	12	6	6	0.98%	0.50%	9	6	3	0.87%	0.60%	1.33	1.00
<b>Minorities</b>												
All	188	178	10	15.42%	14.90%	150	128	22	14.56%	12.86%	1.25	1.39
African-American	119	120	(1)	9.76%	10.04%	91	80	11	8.83%	8.04%	1.31	1.50
Asian-American	20	12	8	1.64%	1.00%	19	11	8	1.84%	1.11%	1.05	1.09
Hispanic	49	46	3	4.02%	3.85%	40	37	3	3.88%	3.72%	1.23	1.24

- Among the 1,030 *Fortune* 100 directors in 2006, the overall representation of men versus women and whites versus minorities remained relatively the same from the prior 2004 period measured.
- Comparatively, from 2004 to 2006, there were minor improvements in terms of percentage distribution for Hispanics, Asian-Americans and minorities in general on the boards, but no change for African-Americans and a virtual stagnation for women overall on corporate boards.

## Comparative *Fortune* 100 Board Analysis, 2006 versus 2004

Among the *Fortune* 100:

- In 2006, 97 boards had at least one woman, versus 99 boards in 2004.
- In 2006, 94 boards had at least one person of color, versus 92 boards in 2004.
- Fourteen boards had no African-Americans—no change from 2004.
- Fifty-nine boards had no Hispanics, versus 63 in 2004.
- Eighty-one boards had no Asian-Americans, versus 88 in 2004.

An analysis of the number of board seats held by each company in 2006 showed:

- Three boards had no women, versus one board in 2004.
- Six boards had no minorities, versus eight boards in 2004.

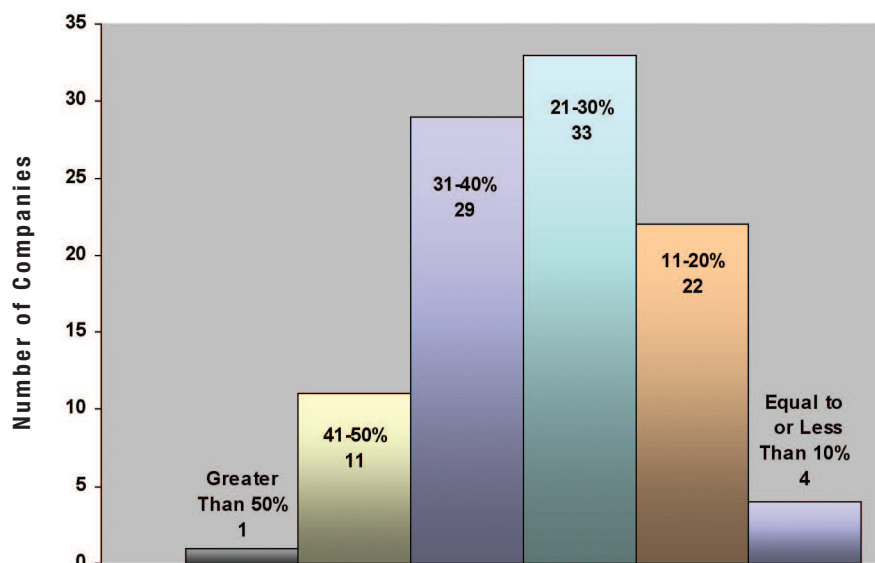
Although there is a desire for diversity on the *Fortune* 100 boards, our research shows that few of the boards have representation from women and each of the minority groups. Twelve *Fortune* 100 companies have more than 40% board diversity.

**TABLE 2: *Fortune* 100 Companies With More Than 40% Board Diversity**

Board	Total Seats	Diverse Seats	Diverse Seats % of Total
Albertson's*	11	6	54.55%
Alcoa Inc.	10	5	50.00%
PepsiCo Inc.	15	7	46.67%
Aetna Inc.	13	6	46.15%
The Dow Chemical Co.	13	6	46.15%
International Business Machines Corp.	13	6	46.15%
Citigroup Inc.	16	7	43.75%
WellPoint Inc.	16	7	43.75%
Wal-Mart Stores Inc.	14	6	42.86%
Wells Fargo & Co.	14	6	42.86%
Merrill Lynch & Co.	12	5	41.67%
Target Corp.	12	5	41.67%

\*Albertson's was acquired in June 2006.

**GRAPH 4: Percentage Distribution of Board Diversity  
Among the *Fortune* 100**



**TABLE 3: Boards With Most Diverse Representation**

Board	Total Seats	Total Females	African-American	Asian-American	Hispanic
PepsiCo Inc.	15	4	1	2	2
International Business Machines Corp.	13	3	2	1	1
E. I. du Pont de Nemours & Co.	11	1	1	1	1
The Hartford Financial Services Group Inc.	11	1	1	1	1
General Electric Co.	15	3	2	1	1
Deere & Co.	12	2	1	1	1
The Walt Disney Co.	12	2	1	1	1
Massachusetts Mutual Life Insurance Co.	13	2	1	1	1
Honeywell International Inc.	14	1	1	1	1

As Table 3 shows, the number of boards that had representation from women and minorities (African-

American, Asian-American and Hispanic) climbed from four in 2004 to nine in 2006.



# SUMMARY

There was little change in overall board diversity among *Fortune* 100 companies since the last ABD report was issued on May 17, 2005.

Specifically, all women and all minority men held less than one-third of board director seats.

More than 40% of the boards show that 30% or more of their seats were held by diverse directors, that percentage was up from 38% in 2004.

The business case for diversity posits that a diverse workforce, well managed, yields better results relative to a homogeneous one. Moreover, there is additional research supporting a correlation between diverse boards and bottom-line results.<sup>1</sup>

A diverse board signals independence, creative thought, opportunities for break-out strategies and an open-mindedness on the part of the company—traits that are increasingly important as external factors such as globalization and heightened competitiveness impact the marketplace.

Recognizing this strong business case as part of its mission, The Alliance for Board Diversity recommends the following when seeking to fill a board seat with qualified diverse candidates:

- Gain clarity on the competencies that will strengthen the board and commit to finding and interviewing diverse candidates who have those competencies. Diverse candidates are likely to bring expertise and perspectives that can enhance a board's effectiveness in guiding a company to successful financial performance.
- Review board slates and insist that diverse qualified candidates are included. If diverse candidates are not included in a directorship search, work with groups like the members of ABD to find qualified diverse candidates to add to that slate.
- Those seeking to find qualified diverse candidates can contact any member of the ABD—Catalyst, The Executive Leadership Council (ELC), Hispanic Association on Corporate Responsibility (HACR)—or partner of the alliance—National Association of Corporate Directors (NACD) or The Prout Group Inc.

<sup>1</sup> Refers to David A. Carter, Betty J. Simkins and W. Gary Simpson, *Corporate Governance, Board Diversity, and Firm Value*, [The Financial Review](#), Oklahoma State University, 2003 and Catalyst's 2007 study, *The Bottom Line: Corporate Performance and Women's Representation on Boards*.

## Research Methodology

The Prout Group Inc., with the assistance of its research team, gathered information on the *Fortune* 100 corporate board members. The companies were identified using the April 2006 issue of *Fortune* magazine. Names of board members were gathered using the EDGARS (Securities and Exchange Commission filings) database, corporate Web sites and company news releases. A point-in-time snapshot approach was used, and April 30, 2006, was the chosen date.

Data on race, ethnicity and gender were gathered from Microquest, as well as other diversity resources. The information was compared with previous research conducted by Catalyst, the Hispanic Association on Corporate Responsibility (HACR) and The Executive Leadership Council (ELC). The team also consulted the 2007 Corporate Board Report Card of the Committee of 100 (C-100; [www.committee100.org](http://www.committee100.org)) to verify the Asian-American *Fortune* 100 board population.

Spreadsheets identifying the names, race, ethnicity and gender of each board member were sent to corporate secretaries for verification. Phone calls were made and letters were mailed to companies in an attempt to further verify the information. For those companies that did not verify, extensive research was conducted to link the individual board member name with instances of individual verification of ABD's race, ethnicity and gender classifications. The data were again cross-referenced with Microquest, Catalyst, ELC, HACR and C-100 to verify the team's findings.

The Alliance for Board Diversity made every effort to achieve a high degree of accuracy. Because the race, ethnicity and gender composition of board members is not always publicly available, the alliance has made numerous attempts to verify the information. If errors or omissions are discovered, ABD will make necessary adjustments.

### **About The Alliance for Board Diversity**

The Alliance for Board Diversity (ABD) was formed to bring together the shared vision and collaboration among three leadership organizations—Catalyst, The Executive Leadership Council, and the Hispanic Association on Corporate Responsibility. The groups have a common goal to increase equitable representation of women and minorities on corporate boards. Each organization has active initiatives in place to prepare individuals for board service, access to highly qualified potential board candidates and conducts research that assesses the progress of board diversity.

With the National Association of Corporate Directors as its advisor and The Prout Group Inc. as its facilitator, ABD's mission is to underscore the business case for inclusion of women and minorities in corporate governance, specifically through its belief that shareholder interests are best served when diversity is demonstrated on the boards of publicly traded U.S. companies.

### **About Our Members – The Alliance for Board Diversity**

Founded in 1962, **Catalyst** ([www.catalyst.org](http://www.catalyst.org)) is the leading nonprofit corporate membership, research and advisory organization working globally with businesses and the professions to build inclusive environments and expand opportunities for women and business. Headquartered in New York, with offices in California, Canada, and Europe, with the support and confidence of more than 350 leading corporations, firms, business schools, and associations, Catalyst produces groundbreaking research to drive change within businesses and is the premier resource for information and data about women in the workplace. In addition, Catalyst honors exemplary business initiatives that promote women's leadership with the annual Catalyst Award.

**The Executive Leadership Council** ([www.elcinfo.com](http://www.elcinfo.com)) is an independent, nonpartisan, nonprofit 501(c)6 corporation founded in 1986 by 19 African-American pioneering executives to fulfill a bold mission: change

the face of corporate America by creating a support network and public leadership forum that prepares the next generation of African-American executives, honors business achievements by African-Americans, encourages excellence in business, and influences public policy on behalf of African-Americans.

The **Hispanic Association on Corporate Responsibility** ([www.hacr.org](http://www.hacr.org)), a nonprofit 501(c)3 founded in 1986, is a coalition of 13 national community organizations in the United States and Puerto Rico. Its mission is to advance the inclusion of Hispanics in corporate America at a level commensurate with the Hispanic population's economic contributions. HACR focuses on four areas of corporate responsibility and market reciprocity. They are: employment, procurement, philanthropy and governance.

### **About Our Partners – The Alliance for Board Diversity**

The **National Association of Corporate Directors** ([www.nacdonline.org](http://www.nacdonline.org)) is a national nonprofit membership organization dedicated exclusively to serving the corporate governance needs of corporate boards and individual directors. NACD promotes high professional board standards, creates forums for peer interaction, enhances director effectiveness, communicates and monitors the policy interests of directors, conducts benchmarking research, and educates boards and directors about traditional and cutting-edge issues.

**The Prout Group Inc.** ([www.proutgroup.com](http://www.proutgroup.com)) is a retained executive search firm that places senior executives and board members across the nation. The firm, headquartered in Cleveland, has offices in New York and Chicago. With the belief that diversity is a strategic business imperative, The Prout Group presents an inclusive slate of candidates on all search assignments. Since the firm's founding in June 2002, nearly 70% of its placements have been women or people of color. The Prout Group is a certified Minority Business Enterprise (MBE).

